Insurance Intermediaries Quality Assurance Scheme

Non-Life Insurance Examination

Study Notes

PREFACE

These Study Notes have been designed to prepare candidates for the Insurance Intermediary Qualifying Examination in the subject of "Non-Life Insurance". They are intended to give candidates a general introduction to the subject and reference materials, where identified in these Notes, serves to provide candidates with a wider coverage of the syllabus and can be used selectively by candidates who wish to investigate a topic in particular detail. The examination, however, will be based on these Notes.

Some parts of these Study Notes are reproduced, with the kind consent of the Office of the Commissioner of Insurance of Hong Kong, from the text prepared for the purpose of the Quality Assurance Scheme. Appreciation is also due to the Macau Insurers' Association, Macau Insurance Agents and Brokers Association, and Federation of Macau Professional Insurance Intermediaries for their valuable advice and assistance in the preparation of these Notes.

It should be noted that new editions or amendments of the Notes will be published from time to time where necessary. Although we have exercised diligence in the preparation of these Notes, errors or omissions may still be inevitable. We would appreciate your feedback on these Notes, in order that improvements can be made in the next edition or amendments of these Study Notes.

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NOTE

If your are taking this Subject in the Insurance Intermediaries Qualifying Examination, you will also be required, unless exempted, to take the Subject "Principles and Practice of Insurance". Whilst the examination regulations do not require you to take that Subject first, it obviously makes sense to do so. That Subject lays a foundation for further studies and many of the terms and concepts found in that Subject will be assumed knowledge with this Subject.

For your study purposes, it is important to be aware of the relative "weight" of the various Chapters in relation to the Examination. All Chapters should be studied carefully, but the following table indicates areas of particular importance:

Chapter	**Relative Weight**
1	30%
2	20%
3	20%
4	15%
5	15%
Total	100%

1 UNDERWRITING AND POLICY WORDINGS

In this and later Chapters we look at the practical applications of principles and terminology introduced in the Core Subject "**Principles and Practice of Insurance**". From the Notes for that Subject you will recall that **underwriting** concerned two very important processes:

(a) the *selection of risks* (i.e. determining their insurability, or not); and

(b) deciding the *terms of the contract*.

Bearing this simple summary in mind will help considerably with the Notes below.

1.1 PROPOSAL AND MATERIAL FACTS

Again to assist with understanding the applications we shall meet, it is good to remember basic definitions:

(a) **Proposal Forms** may also be called **Applications**, although this term is more common with life insurances. These are documents in the form of a **questionnaire** that the proposer completes when making an application for insurance cover. They will be considered in more detail in **1.1.3** below.

(b) **Material Facts** are facts which would influence the mind of a prudent underwriter in deciding whether to accept a risk, or on what terms to accept it. Although lawyers may find room to argue, the practical professional underwriter would probably be happy with the description that a material fact is one that makes a difference with the **insurability** of or **terms** to be applied to a risk. These we consider in more detail in **1.1.1** below.

It will be remembered that under the chapter on “Insurance Contract Law” of the “Commercial Code”, a proposer is obliged to reveal all materials facts, whether the insurer asks specific questions or not. This duty of disclosure arises under the principle of Utmost Good Faith.

1.1.1 Material Facts and Risk Assessment

(a) **Material Facts** (facts which should be disclosed)

We looked at a definition of these above. An alternative description for the term could be "*facts which must be disclosed*" (by law, and in order to enable the underwriter to make a professional assessment of the risk). These include facts which:

(i) render a **risk** greater than would otherwise be supposed, e.g. highly flammable materials stored in the insured's building (fire insurance), when the insured's occupation would not lead one to assume this;

(ii) render a potential **loss** greater than would otherwise be supposed, e.g. stock items of gold and other precious materials in a general store where one would not expect such things (theft insurance);

(iii) relate to **previous losses** or claims' experience;

(iv) relate to **previous adverse insurance** experience, e.g. being refused cover or having special terms applied by another insurer;

(v) describe and assist in understanding the nature of the **subject matter** of the proposed insurance;

(vi) may affect the legal rights of the insurer, e.g. special terms of trade which effectively sign away any future **subrogation** rights (products liability etc.).

Note: The above list is not exhaustive. Any fact could be material, in particular circumstances.

(b) **"Non-material" Facts** (Facts which do **not** have to be disclosed)

Obviously, any piece of information which is irrelevant or of no consequence to the insurer, when considering insurability or contract terms, need not be revealed (e.g. one's exact age when seeking fire insurance). There are certain facts, however, which might fall under the definition given in **1.1** but which do not have to be revealed, because **Contract Law** has, implicitly determined that they are **exempt** from the normal **duty of disclosure**. These include facts which:

(i) improve or **decrease** the risk, e.g. having a **sprinkler system** (fire insurance);

(ii) are matters of **common knowledge**, e.g. that Macau is subject to the risk of typhoons (special perils insurance);

(iii) an insurer may be **deemed to know**, e.g. the normal processes and dangers involved with various occupations (EC insurance);

(iv) the proposer cannot **reasonably** be expected to know, e.g. that he is suffering from an undiscovered brain tumour (PA insurance);

(v) were open to discovery but were **not** discovered in a **survey** carried out by or on behalf of the insurer, e.g. with public liability insurance;

(vi) should have been the subject of **further enquiry** by the insurer, e.g. questions on a proposal form left blank or completed with uncertain answers.

Note: 1 It is the proposer's legal responsibility to reveal material facts, but the courts are very reluctant to allow this to be too strong a weapon for insurers. Judges will want very good evidence that information is indeed **material**, if there is no specific question from the insurer concerning it. Also, they will expect the most scrupulous care to be given to any information supplied, so that any suggestion that the insurer should have been **put on enquiry** or should reasonably have been aware of materiality will very much count against the insurer in any formal dispute.

2 The normal situation is that with any uncertainties it will be the responsibility of the **insurer** to prove that a fact was indeed **material** and that information supplied was **inadequate**. This is not always an easy responsibility to discharge.

(c) **Risk Assessment**

This briefly describes the process of determining the **insurability** of a risk and, if it is insurable, the **terms** of the contract to be offered. These considerations will be examined in more detail in the Notes below. However, with general insurance (unlike **life insurance**) risk assessment is an **on-going**, or at least a **repeatable** process. It arises:

(i) at the **policy inception** stage, i.e. when the risk is first proposed. This is self-evident, but the need or opportunity to re-assess also arises;

(ii) at policy **renewal**. General insurances are normally **one-year** contracts, with no binding obligations on either party to continue. Of course, insurers normally like to **retain** business, but renewal gives an opportunity to review both insurability and terms again. A further opportunity arises;

(iii) with **claims** (or important proposed **changes** to present terms, e.g. an increase in the sum insured etc.). The original circumstances under which the risk was insured may have altered for the worse, and facts may emerge in a claim situation (either concerning the **risk** or the **insured**) which may give rise to second thoughts. Many general insurance policies have a **cancellation clause**. This is not often used mid-term, but the opportunity is there, if circumstances warrant it.

(d) **Risk Assessment Factors**

Whilst later Notes will concentrate on some specific areas of attention in underwriting, it may be helpful to mention at this stage a few things that risk assessment is likely to embrace:

(i) *acceptance* (under **any** terms): it is always easy to say "no", but if we always say "no", we are soon out of a job, or of business;

(ii) *standard premium?*: if the risk is insurable, do we need more than the normal premium, or does the risk warrant a discount?

(iii) *standing wording?*: can we issue the normal policy form, or are amendments (or even a specially drafted wording) needed?

(iv) *warranties*: do we need to insist that the insured does something, or refrains from doing something, to make the risk insurable? See **1.3.4** below;

(v) *excess/deductible*: do we wish to eliminate small claims and/or involve the insured in his own loss experience? See **1.3.3** below;

(vi) *expert help*: do we need further information on technical matters, so that a **surveyor** or other professional (**medical**, **engineering** etc.) needs to be engaged before we can quote final terms?

We shall meet most of these considerations again, but it should be remembered that the assessment of risk, carried out conscientiously and **at the right time**, is the foundation of success in the insurance business. Failure to conduct this process, or to conduct it badly, means we are leaving too much to chance. That is not insurance. It is **gambling!**

1.1.2 Moral and Physical Hazards

In making his assessment of a particular proposal, an underwriter needs to gain a complete picture of the risk presented. Of course, there will be other factors which he will have to take into account, such as the state of the **market**, his **company's** marketing and business **philosophy**, individual or company premium **targets**, etc. As far as the essential (or **intrinsic**) technical qualities of a risk are concerned, however, he is likely to form his assessment on two important **aspects** :

(a) **Physical Hazard**

We shall consider this one first, because it is the easier to comprehend and identify. It means the **objective** features of a risk, i.e. the factors which are self-evident or easily ascertained, which contribute directly to the likelihood or possible severity of claims.

The word *hazard* normally suggests "danger" or some such adverse meaning. In the context of **physical** (or **moral**) **hazard**, it would perhaps be better to use a word such as "**characteristic**" (or "feature"). This would more accurately express the thinking, whereby the essential nature of the risk is being considered, and this may be good rather than bad. It is therefore perfectly correct to talk of "good" or "excellent" physical hazard, where the nature of the subject matter and other related factors makes claims unlikely (insuring an outdoor concrete swimming pool against fire, and so on).

Mostly, physical hazard concerns matters of **common sense**, and examples of things affecting physical hazard will easily come to mind with different classes of business. We may, however, mention a few representative examples, to consolidate our understanding:

(i) *Construction materials* have an obvious significance with fire insurance, for example. Buildings of wood are naturally likely to be charged higher premiums than comparable buildings of non-flammable construction.

(ii) *Attractiveness to thieves* will be an important feature in the insurability or rate to be charged with theft insurance. High value/low bulk items, like gold, cigarettes, certain Chinese medicines, and drugs will clearly represent an adverse physical hazard.

(iii) *Physical health* can be important with PA and/or sickness covers.

(iv) *Dangerous occupations* EC cover for construction or demolition organizations will clearly merit different terms from clerical occupations.

(v) *Engine power* will be an important consideration with motor and pleasure craft insurances.

(vi) *High-profile issues* such as professional liability claims against hospitals and medical professionals represent risks much different from many types of occupation, in view of an increasing claims-consciousness of society (and perceived understanding of very high compensation awards) with this type of claim.

The list could be endless, but perhaps sufficient has been said to appreciate the significance of this (perhaps primary) factor in underwriting.

(b) **Moral Hazard**

In many ways this is an unfortunate expression, because it tends to focus upon the moral behaviour and ethics of the insured. Whilst these are important, and certainly part of the **moral hazard** picture, the term embraces wider issues, to include such things as **attitudes** and **carelessness**. A person may be an excellent person, as far as the normal understanding of morality is concerned, but still represent **poor moral hazard**.

Perhaps a better understanding will arise if we think of moral hazard as the "**human element**", i.e. those features and characteristics surrounding **attitudes**, **behaviour** and **conduct** of the insured and others who may be associated with the risk.

This aspect is more difficult and **subjective**. Also, the true nature of the insured may not be apparent until a claim arises. However, we may briefly say that moral hazard, in its **adverse** form, could show itself in:

(i) *Dishonesty*: in extreme or serious forms, this means **fraud**;

(ii) *Carelessness*: which can easily produce losses or accidents;

(iii) *Unreasonableness*: a person may be totally honest in the accepted sense of the word, but he may create big problems by opinionated views and inflexibility;

(iv) *Social behaviour*: by which is meant general public behaviour, expressing itself, for example, in vandalism and social disturbances.

As with many things in life, a total appreciation must take into account not only the **physical** factors, but the **human element**, which is sometimes equally or even more important.

1.1.3 Proposal Forms

These are the actual documents on which the prospective insured submits details of the risk to be insured. As such, it is extremely important. The questions on it are designed by the **insurer**, and presented in such a way as to be as "**user-friendly**" as possible, whilst at the same time covering all important areas in which the underwriter needs information.

Bearing in mind the attitude of the courts with **utmost good faith** (see above), it is most important that proposal form questions are devised carefully. There will be many different questions arising with specific classes of business, but some common features in virtually all proposals include:

(a) *Proposer's details*: such as **name**, **address** and **occupation**. These may have a bearing on the physical hazard, and are in any event needed for identification and communication purposes.

(b) Insurance history: the underwriter will want to know whether there are other existing insurances, and whether refusals or special terms have been applied by other insurers.

(c) *Losses/claims history*: this could have an obvious importance with the present application.

(d) *Insured's valuations*: with many classes of business these include the sum insured. This represents the insurer's **maximum** liability and in many cases is also the basis of the premium calculation.

There are other features, of which we shall look at some examples in **1.2.2** below, but the above are typical areas from which **material facts** may be supplied.

1.1.4 Methods of Obtaining Material Facts

There are a number of ways and sources from which the underwriter may obtain details of **material facts** applicable to a proposed risk. These include:

(a) *Proposal form*: as considered above. In some classes of business (mostly **personal lines** e.g. private car), the proposal form is virtually the only source of information for underwriting.

(b) *Professional help*: sometimes the insurance involves technical matters, where the assistance of qualified expertise is needed. This ranges from **medical** matters (not often required with general insurance), to **surveys** and **reports** from various technical experts (e.g. concerning boats, engines, boilers, fire risks etc.).

(c) *Surveys*: a physical site inspection of a proposed risk is often advisable (e.g. fire, theft and liability business). This may be carried out by independent surveyors etc., or it may be conducted by the insurer's own staff.

(d) *Intermediaries*: especially **insurance brokers**. As agent of the **insured**, an insurance broker is identified with the **proposer** and he is bound in law to disclose **material** information he has concerning the client and the proposed risk. Technically, if an insurance broker withholds or misdescribes material facts, this is a breach of **utmost good faith** imputed to the proposer.

(e) *Procedures*: the manner in which material facts are obtained varies. It may be in the form of **answers** on the proposal form, or other enquiry documents. It may also be **verbally**, in response to direct questions on a survey or during pre-contract discussions. (It is usually advisable to have written confirmation of verbal understandings, in correspondence or otherwise, to avoid possible misunderstandings later.)

(f) *Miscellaneous*: several other possible sources exist for obtaining material information. These include:

(i) enquiries with **previous insurers** (e.g. about earlier claims);

(ii) enquiries with professional **enquiry agents** (e.g. with fidelity guarantee proposals);

(iii) enquiries regarding possible **hire-purchase** commitments (e.g. with motor vehicles);

(iv) confidential **market intelligence** exchange among insurers (should there be any possibility of earlier **fraud** etc.).

Note: As with other Notes, the above give a representative selection only.

1.2 UNDERWRITING PROCEDURES

1.2.1 Quotations

It is very common, in several classes of general insurance, for a prospective insured or his representative (usually an **insurance broker**) to seek information about the terms the insurer might be prepared to offer, without any commitment on the part of the prospective insured. Such information is obtained in the form of a **quotation**, which will consist of one or more of the following features:

(a) it may be **in writing** or **verbal**;

(b) it may concern the envisaged **premium** only, or refer to other **contract terms** as well;

(c) as a **quotation**, it will normally be interpreted in law as representing a formal **offer** from the **insurer** (with proposal forms generally, the completed form is usually the offer, from the **proposer**);

(d) if the insurer does not wish to be formally bound by a quotation, he must indicate appropriately, e.g. by saying that the quotation is for **illustration purposes only** (or similar qualifying remarks), or make it subject to certain other conditions (satisfactory proposal etc.);

(e) if a **proposer** is seeking information about terms, he or his representative, could mark his completed proposal form with words such as "**for quotation purposes only**". This means that the completed form is **not** the formal **offer** in the proposed contract;

(f) the quotation may be a relatively minor "**price enquiry**" for a personal insurance, or it may concern a very formal major contract issue (e.g. the insurance of huge developments, such as the airport and/or ferry terminal contracts). The latter effectively become sophisticated **tenders** for the insurance package concerned, requiring great expertise and a considerable effort to formulate. Almost certainly, **insurance brokers** will be much involved with such quotations, in requesting them and often providing considerable expertise and help in their formation.

1.2.2 Proposal Forms

These we have already considered, from various perspectives. As part of the underwriting process, we may note (or note again):

(a) *only source of underwriting material*: with relatively minor risks, the proposal form is the only enquiry made, and risks may be accepted or otherwise solely on its answers;

(b) *the "trigger" for other enquiries*: answers or deductions from the information supplied on proposal forms may indicate that further enquiries need to be made. These may be additional questions to the proposer, or more formal enquiries through **surveyors** or other professional experts;

(c) *basis of the contract*: the information supplied on the proposal is the main (and sometimes the only) information available to the underwriter, and on which he bases his acceptance and terms. All proposal forms contain a **declaration** which will bring this face to the proposer's attention, and may well be in the form of a **warranty**, which has considerable legal significance with the contract;

(d) *a "permanent" document*: because the completed proposal has a fundamental role with the contract, it should not be regarded as a temporary document. Because of its importance, some insurers may include a photocopy of the completed proposal when sending out the policy document. This will be a reminder to the insured of the information he supplied, which formed the basis of the insurer's undertakings;

(e) *supplementary information*: any experts' reports or other documentation, perhaps arising with **(b)** above, must be considered part of the proposal, and this fact should be brought to the proposer's attention.

1.2.3 Issue of Cover Notes, Policies and Certificates of Insurance

These documents all fulfil roles in the underwriting process. A brief reminder of their respective functions will be sufficient to identify the roles concerned:

(a) **Cover Notes**

A cover note is a **temporary** document, effectively constituting a temporary policy. However, as its name suggests, it does provide **cover**, i.e. it is not **conditional** upon a satisfactory proposal form, to be submitted later. A cover note **binds** the insurer. The following features may be noted:

(i) *primary purpose*: is to give **documentary evidence** to the insured that an insurance exists. Commonly, cover notes are issued with **motor** insurance, when they include a **temporary certificate** of insurance (see below). This confirms that insurance as required by law exists. The cover note may then be used to assist with **vehicle registration** etc.;

(ii) *other functions*: motor is not the only class of business where cover notes may be found. A bank, for example, may require evidence that **fire** insurance exists, before it advances an agreed **mortgage loan**;

(iii) *not "conditional"*: to repeat what was said above, the document does provide "**cover**". However, cover notes frequently have **cancellation** provisions, so that the insurer may come off cover, after giving appropriate notice, if this becomes appropriate;

(iv) *"temporary"*: again to reinforce previous comment, a cover note is a convenient way of confirming the insurance immediately, but cover is likely to be effectively for only say 30 days, or other short period. The intention is that the **policy** should replace the cover note, although it is common for **additional** (continuation) cover notes to be issued, as necessary;

(v) *premium collected*: it is normal to collect at least some premium before issuing a cover note. This is certainly true with **motor** cover notes, but see **1.2.4** regarding other classes of business.

(b) **Policies**

A **policy** is visible evidence of the **invisible contract** of insurance. As previously mentioned, most general insurances are **simple contracts**, which technically do not have to be in writing. In practice, a policy is almost invariably issued. However, issuing the policy is usually the **last** stage in the underwriting process, representing as it does the final result of all enquiries, deliberations and decisions of the underwriter. We shall look in more detail at policy structures in **1.3**, but within the **underwriting** context we may note the following:

(i) *evidence of the contract*: legally, the correctness of the policy may be challenged, but the law will assume that its contents represent the **intentions** of the parties, unless compelling evidence is produced proving otherwise;

(ii) *incorporates other material*: the policy will specifically incorporate the **proposal form** and any other supplementary documentation etc. as being part of the overall contract;

(iii) *replaces any cover notes*: as noted above, **cover notes** may be considered as temporary policies. As such, the final policy document replaces them.

(c) **Certificates of Insurance**

Insurance certificates may have differing roles. When issued as a summary of cover provided under a **master policy**, as is sometimes the case with **travel** and **marine cargo** insurance, certificates have more or less the same function as **cover notes** (see above), except that a separate policy is not subsequently issued.

The more usual understanding of an **insurance certificate**, however, embraces the following features:

(i) *proof of compulsory insurance*: found with **motor** and **EC** insurances, a certificate of insurance provides **proof** to people who need to know (e.g. **police**, **registration authorities** and **victims**) that insurance as required by law does exist;

(ii) *unconnected with the policy*: a certificate is a totally **separate** and **permanent** document (unlike a cover note). A **temporary** certificate is usually incorporated in a cover note, as noted above, but the final document has a totally distinct function from that of the policy;

(iii) *contents and format*: a cover note will have an abbreviated summary of policy cover, but a certificate will not. The latter only confirms the existence of **compulsory** insurance. Thus, you cannot tell from a certificate of motor insurance, for example, whether the policy is

Comprehensive or **Third Party Risks**. Its format is as required under the appropriate Ordinance;

(iv) *why issued*: certificates are issued solely because the **law** requires them. If a certificate is not issued by an insurer, this constitutes a **criminal offence**, for which both the **insured** and the **insurer** may be prosecuted. In **motor** insurance, the certificate has such a formal importance that it is essential to recover the document if the policy is **cancelled**.

1.2.4 Premium

(a) Method of Calculation

The premium represents the insured's **consideration** in the contract. At any given time, this may be:

(i) **executed consideration**, i.e. already paid; or

(ii) **executory consideration**, i.e. not yet paid (although the contract may still be valid, see below).

As to its method of calculation, within the context of underwriting procedures, individual comments will be made in respect of different classes of business under Chapter **2 and 3** of these Notes, but we may also note the following:

(i) *Risk classification*: with many types of insurance, the risk is classified according to a particular category, to which pre-calculated premium rates will apply.

(ii) *Risk discrimination*: the word "discrimination" is not politically correct these days, but the term is of very long standing with insurance underwriting. It has no sinister implication, but refers merely to distinguishing the features (good or bad) of individual risks, so that adjustment up or down to the broad classification premium can be made.

(iii) *Different bases*: general insurance has a very wide range of different products, so it is only to be expected that the premium base will differ between various classes. Frequently, a designated rate (usually per cent or per mille) is applied to some factor such as:

(1) the **sum insured**;

(2) the **annual turnover**;

(3) the **annual wageroll**;

but different classes may have other criteria, as previously noted.

(b) **Relevance of Premium Payment for Valid Cover**

With life insurance, it is almost the invariable practice that cover does not commence until after the first premium has been received. This is not necessarily the case with non-life insurance. The subject can be considered under the following aspects:

(i) *Commercial Code position*: unless the contract terms specify to the contrary, payment of the premium should be paid punctually by the insured and directly to the insurer or to another entity explicity designated by the insurer for that purpose. The initial premium or first installment of the initial premium should be paid on the date the contract is signed.

If it is impossible for the insurer to issue a debit note on the date stated in the preceding paragraph, payment of the initial premium or first installment of the initial premium should be made within 10 days from the date the debit note is issued by the insurer.

Insurers have the obligation to inform the insured in writing, the amount of premium to be paid and the payment date, at least 8 days before the premium payment due date. Moreover, the consequences of non-payment of premium (i.e. termination of contract) shall also be notified to the insured.

Failure to pay appropriate premium by the insured within the stipulated period constitutes delay in the payment of premium. The contract will be automatically terminated 30 days after the expiry of the stipulated payment period. However, before the expiry of the 30 days, the insurance contract shall remain effective.

(ii) Policy provisions: practice varies with policy wordings. Some (e.g. most fire policies) strictly provide that cover is conditional upon the premium having been received. Other policies may have a wording to the effect that the insured 'has paid or agreed to pay' the premium. The distinction is quite obvious.

Note: This is a complex area, in which important legal issues may arise. Appropriate legal or other qualified advice should therefore be obtained with specific cases.

1.2.5 Levies

Motor and Marine Guarantee Fund (MMGF)

These Notes do not examine the operations of the MMGF, but by way of reminder it exists to give substance to the intentions of compulsory motor insurance, in cases where the required insurance is ineffective or does not exist. By formal agreements with Government, all motor insurers in Macau must belong to the MMGF.

Funding for any payments made by the MMGF comes from a premium levy, imposed by insurers on all motor policies they issue. The levy does not belong to the insurer, but must be passed to the MMGF. 2.5% of all Motor Premiums (after NCB allowances) is collected from the policyholders and paid into the MMGF.

The MMGF is competent to pay compensation for death or bodily injuries resulting from traffic accidents involving motor vehicles and pleasure vessels subject to compulsory insurance:

a) When the person responsible in unknown or does not benefit from valid or efficient insurance;

b) In case of bankruptcy of the insurer.

1.3 POLICY WORDINGS, TERMS AND CONDITIONS

To remind you, the policy is the **written evidence** of the **contract**. It is therefore of great importance to understand the usual form insurance policies take in Macau. Before we do, however, two points should be remembered:

(a) Policy wordings in Macau except compulsory insurances are **not regulated**. Insurers are therefore free to construct and market their own individual products. However, approval from the AMCM is necessary prior to marketing such products.

(b) Most insurers in fact tend to provide wordings which are very similar to others found in the market. We shall thus use **representative** examples, which will broadly suffice to explain general practice.

1.3.1 Policy Forms and Policy Schedules

English language general insurance policy forms utilised in Macau tend to be of two main kinds:

(a) *"Plain English"*: which is a modern attempt to avoid the formal traditional language of a legal document. In an effort to make the document more "**user-friendly**", the text is expressed in the first and second person, rather than the impersonal third person, so that it talks of "**we**" and "**you**", rather than "**the company**" and "**the insured**" etc. The policy is also likely to be in a smaller **booklet** form, perhaps with diagrams and cartoon drawings.

This style of policy presentation is used with **personal lines**, rather than with **commercial** risks. The extent to which this style really does enable and encourage people to read and understand their insurance contracts is not yet established.

(b) *Scheduled policy forms*: where the whole text revolves around a policy "**Schedule**". That part of the policy contains all information relating solely to the specific risk concerned. The rest of the policy is a standard wording, for all policies in that class of business, presented in separately designated section, having different functions.

The scheduled policy form is of long-standing tradition, and will be the basis for comment and study in the Notes that follow.
The **scheduled** policy form consists of the following sections:

(a) The Schedule: as mentioned, this contains all information which applies exclusively to the specific contract concerned. It is to this section that attention must be given, for example, to ascertain:

(i) policy **Number**;

(ii) details of the **Insured** (name, address, occupation, age etc.);

(iii) policy **Limits** (sums insured, limits of liability etc.);

(iv) effective **Dates** (commencement date, renewal/expiry date etc.);

(v) description of the **Subject matter**;

(vi) the **Premium**;

(vii) the identity of the **Agent** (where shown in the policy);

(viii) any **special terms** applicable (warranties, special exclusions etc.);

(ix) **extra benefits** applicable to this contract (special perils etc.);

(x) all **endorsements** (i.e. modifications and amendments of any kind).

(b) The Recital Clause: whilst this name, as such, does not appear in the policy document, the recital clause is effectively the introduction to the contract. It will make reference to the parties (not by name, which is shown in the Schedule). It will also refer to the proposal form and declaration, recognizing them as being incorporated in and forming the basis of the contract. The premium (not by amount) may also be mentioned.

(c) The Operative Clause: this indicates the circumstances under which cover is operative (hence, it is sometimes called the Insuring Clause). Again, this title does not appear in the document, but the section usually follows the Recital Clause. The follow features of this clause should be noted:

(i) it may be quite **short** (e.g. with glass insurance) **or quite** long (e.g. with **motor** insurance);

(ii) it specifies the **perils** covered or mentions that cover is on an "**all risks**" basis (with **property** insurance);

(iii) it may consist one, two or more **sections** (e.g. **motor** insurance);

(iv) these sections may have their own **exceptions**, limiting the cover for **that section** only (see **(d)** below);

(v) any **excess/deductible** for the section concerned may be shown (or referred to and appearing in the Schedule).

(d) General Exceptions: the word "General" in this context, means that the exceptions apply to the whole contract (every section of the policy). As noted above, individual sections in the Operative Clause may have their own exceptions (e.g. cover for damage to the insured vehicle, with a motor policy, may exclude damage to tyres unless the vehicle is also damaged). General exceptions apply with every type of claim (e.g. in motor, a non-permitted use of the vehicle).

The title "**General Exceptions**" is clearly indicated in the policy document, although the term "**Exclusions**" or "**Provisos**" might be used instead. It may be said that **sectional** exclusions limit the cover of the **Operative Clause**, whilst **General Exceptions** deny all cover under the policy.

(e) Policy Conditions: these are the provisions regulating the contract. We shall discuss conditions in more detail in 1.3.2, but for the moment it should be noted that there are two basic kinds of conditions:

(i) **express conditions**: which actually appear in the policy document; and

(ii) **implied conditions**: which apply to the contract, but do not appear in the policy (see below).

(f) Signature Clause: not given this title in the policy, this section is very short (often appearing in the Schedule), providing for the signature(s) on behalf of the insurer, to confirm the terms of his undertakings as expressed in the policy document. (The policy document is not signed by the insured.) For this section, some insurers may use the rather more elaborate term of the "Attestation Clause".

1.3.2 Common Policy Exceptions and Conditions

Individual risks may have specific provisions and/or limitations imposed by the underwriter, but we shall consider this topic in general terms, as follows:

(a) **Policy Exceptions**

These we examine specifically under the heading of "**Exclusions**" in **1.3.4** below, but by way of reminder **exceptions** may apply to the **whole** of the contract ("**General Exceptions**") or be intended merely to limit some part of the Operative Clause ("**sectional**" exceptions). All insurance contracts will have some exceptions. As a commercial undertaking, it is not possible to provide cover with

no limitations. Even if no exceptions, as such appear in the policy document, there will always be provisos which the law **implies** (i.e. shall be **read into** any contract), e.g. the exclusion of **fraud**.

(b) **Policy Conditions**

As mentioned above, conditions may be **implied** (not appearing in the policy document, e.g. **insurable interest** or **utmost good faith**), or **express** (actually "expressed" in the policy document). "Conditions" in insurance can be a little confusing, but for our purposes we will only consider **express** conditions, and mention some common ones found in policies:

(i) *Claims conditions*: relating to procedures and rights and obligations associated with making a claim under the policy (see **4.1.3** etc. later);

(ii) *Arbitration*: outlining the procedure for settling claim disputes between the insured and the insurer (see **4.2.1** later);

(iii) *Cancellation*: the usual provisions give the **insurer** the right to cancel, in which event **due notice** and a **pro rata** refund of premium must be made. Many policies also give the **insured** the right to cancel **immediately**, in which event a **short-period** refund is payable (sometimes subject to there being no previous claim during the policy year);

(iv) *Average*: the provisions for an **under-insurance** penalty;

(v) ***S*ubrogation** and **contribution**: where policies provide an **indemnity**, are likely to be mentioned, as studied in "**Principles and Practice of Insurance**";

(vi) *Adjustable premiums*: where premiums have to be on a provisional basis because they are based upon variable factors (e.g. payroll, turnover etc.), there is a policy condition requiring the insured to keep adequate records, so that precise premiums may be calculated.

1.3.3 Use of Excesses, Deductibles and Franchises

A reminder of the meaning of each term will serve as a useful basis for considering its application, as follows:

(a) **Excess**

This is a policy provision whereby up to the first stated amount is **not** covered in a particular claim situation, i.e. the insurance only applies "**in excess**" of the stated amount. Policy excesses may be:

(i) *standard*: applicable to all policies in that class (e.g. say 2% compulsory excess based on the value of the vehicle indicated in the Motor Policy for comprehensive cover);

(ii) *imposed*: applied **additionally** by the underwriter (with **no** premium reduction) to counteract adverse features (e.g. following a number of small claims under an "**all risks**" policy);

(iii) *voluntary*: chosen by the **insured** in order to obtain a premium **reduction**.

The primary intention of an excess is to **eliminate** small claims, which might otherwise consume the whole premium (especially, for example, with **travel** insurances).

(b) **Deductible**

For practical purposes, this term means the same as an **excess**. Deductibles, however, may often be for significantly **higher** sums, for example in **Contractors All Risks** insurances. In such cases, the deductible not only eliminates small claims, it also makes the insured **participate** to a significant degree in his own **loss experience** (thus encouraging greater care).

(c) **Franchise**

It is no longer common to find a monetary **franchise** with policies in Macau. The function of such a provision is to **eliminate** small claims, whilst paying larger losses (i.e. **above** the franchise amount) in full. Such a provision used to be found in some property insurances, but an excess/**deductible** is now preferred. A **franchise** may be still be found, however, with:

(i) *time franchise*: some general insurances provides a benefit related to disability or incapacity, but the benefit is only payable after the person concerned has been disabled/incapacitated for a minimum period. In some PA insurance, the weekly benefit may not be payable unless disablement is for say, 2 weeks. However, if the minimum time period is exceeded, benefits are payable for the full period.

(ii) marine total losses: not an obvious example, but technically correct, some hull insurances for example have a deductible which only applies with particular average (non-total loss claims). With total losses, no deduction is made (rendering the provision effectively a franchise with such claims).

Note: With neither of the above examples do policy wordings actually use the word "**franchise**". As mentioned, franchises are not common now, even though such a provision may be applicable technically.

1.3.4 Warranties, Conditions and Representations

Again, a reminder of the meaning of the respective terms will help in their understanding:

(a) **Warranties**

A warranty may be thought of as an **absolute promise** on the part of the insured. That promise may be to:

(i) *do something*: e.g. to have a burglar alarm fitted to the premises and to keep it in working order and switched on after working hours (**theft** insurance);

(ii) *not to do something*: e.g. not to store flammable liquids in the insured premises (**fire** insurance);

(iv) *affirm certain facts*: e.g. the warranty in the declaration on a proposal form may **warrant** that answers given on the form are **complete** and **true**.

The promise is **absolute**, in the sense that **any breach** of warranty enables the insurer to avoid the contract. Technically, the breach does **not** have to have a **causal relationship** to a claim situation (i.e. the breach may not cause or in any way be relevant to a loss situation).

Note: 1 Warranties are normally **express** (actually appearing in the written/printed terms of the policy). They may be **standard** (quite normal for all policies in that class) or specially **imposed** by the underwriter for a particular risk.

2 Technically, **implied** (automatic, unwritten) warranties may exist.

The most significant example is the warranty that a vessel is **seaworthy**, with some **marine** insurances (although in practice the implied warranty is usually made **express**, by mentioning it in the policy wording).

(b) **Conditions**

As mentioned above, "conditions" in insurance may be a little complex. In other branches of law, a **condition** is a fundamental term, breach of which **destroys** the contract, or renders it **voidable**. The legal expression used in such situations is that the breach **goes to the root** of the contract. This is also true with some conditions in insurance, e.g.:

(i) *Conditions precedent to the contract*: conditions which must be fulfilled in order for the contract to **commence**. These include the **implied** conditions of **insurable interest** and **utmost good faith**.

(ii) *Conditions subsequent to the contract*: conditions which if breached render the contract **void** or **voidable**. These are normally **express** conditions in the policy requiring action by the insured in certain circumstances, e.g. in **PA** insurance, the premium largely depends upon the insured's profession, so a change of profession during the policy term must be notified and agreed.

But in insurance there is "condition" which does **not** go to the root of the contract:

(iii) *Conditions precedent to liability*: such a "condition", if breached, does **not** destroy the contract as a whole, but it may invalidate a particular **claim**. Specific examples include policy requirements to give appropriate **notice** of a claim in accordance with the policy condition, and **assisting** the insurer with claim investigations.

(c) **Representations**

A representation is a **statement**, which may be **verbal** or in **writing**, bearing upon a risk proposed for insurance. (Thus, an incorrect statement when completing a proposal form, for example, is called a "**misrepresentation**".)

1.3.5 General, Specific and Market Exclusions

An **exclusion** is a policy provision which means that cover does **not** apply in the circumstances described. The various types of exclusion are :

(a) **General Exclusions**

These may be defined as exclusions which are applicable to **all** policies within the particular class. Some examples are:

(i) *"All Risks" insurance*: the cover is intended to relate to **unexpected** loss or damage. Thus, **wear and tear**, **depreciation** and **gradually operating** causes (atmospheric conditions etc.) are standard exclusions for any type of "all risks" insurance.

(ii) *Motor insurance*: cover is intended for normal usage on business or pleasure, so **racing, speed-testing** and **motor trade** use are standard exclusions.

(iii) *Liability insurance*: cover is intended to apply to situations involving some **fault** or **statutory obligation** upon the insured. Thus, **voluntary** assumption of liability (liability under **agreement**, or "**contractual liability**") is a standard exclusion.

(iv) *Personal accident insurance*: cover is intended to apply in respects of **accidents** whilst the insured is following a normal non-hazardous lifestyle. Thus, **suicide** and **extra-hazardous** activities, such as **mountaineering**, **motor-cycling** etc. are standard exclusions.

(b) **Specific Exclusions**

These are exclusions which the underwriter decides should be applied to **specific** policies, because of the extra hazard the particular risks present. Individual circumstances vary enormously, but a few examples may serve as illustrations:

(i) *Personal accident insurance*: an insured may have a particular problem with problems to his back (e.g. "slipped disc"). Apart from that problem he may represent a standard risk, so the underwriter may delete cover for the back problem by a specially worded exclusion.

(ii) *Motor insurance*: a particular member of the insured's family could have a bad record of driving accidents, so policy cover may be specially limited to exclude him.

(iii) *"All risks" insurance*: insuring an item of jewelry which is perhaps worth millions of dollars presents certain problems. The underwriters may decide to exclude cover for this item unless it is kept in a particularly secure place, or the insurer's consent is given for its use elsewhere.

(iv) *Household insurance*: suppose, for example, that the premises are situated at a dangerous corner and the surrounding wall of the property is often knocked down by a vehicle. After a few such "**impact**" claims, the insurer may decide to exclude such claims from the policy.

(c) **Market Exclusions**

These are really another form of **General Exclusion**, but they are common to policies issued by virtually **all** insurers operating in the market. Often, they concern **fundamental risks**, and in some territories the exclusions concerned have been formulated after discussion and agreement with the **Government** concerned. Some examples include:

(i) *nuclear risks* ;
(ii) *radioactive risks* ;
(iii) *sonic boom damage* ;
(iv) *war risks* (non-marine).

(d) **Other Exclusions**

For completeness, we should mention the following:

(i) **Fraud**: the law in Macau will never support **fraud**. Even if there is no specific reference to it in policy wordings, it always constitutes legal grounds for denying liability.

(ii) **Public policy**: this is an abstract concept, which could be described as an **unwritten condition** in all contracts. As far as insurance is concerned, it means there may be occasions where society (through the decisions of judges) in effect says that the insurance cover should not apply.

This is rare, but an example may illustrate the point. A **public liability** claim was invalidated when the insured shot his wife's lover, even though the gun allegedly went off by accident during a struggle between the two men. The judge said the husband's behaviour in even having a loaded weapon was unsupportable. The husband was liable, but his PL insurer were not.

(iii) **Special situations**: sometimes local conditions are in turmoil because of social unrest. In those circumstances, insurers may agree on a temporary or permanent **market exclusion**. Examples worldwide would include **riot** in Indonesia and **terrorist** activities in Northern Ireland. We hope Macau will be spared such happenings, but human nature is universally volatile.

1.4 RENEWALS AND CANCELLATION

1.4.1 Renewals

The following features should be noted:

(a) *A new contract*: general insurance contracts are normally for **one year** only. Renewals therefore constitute a **new** contract, even though the same policy is used. This gives an opportunity for an **underwriting review** of insurability and terms (which must of course be agreed by the **insured**, if the insurance is to continue).

(b) *Utmost good faith revives*: any **material** information that may have arisen since the contract was issued (or last renewed) must be disclosed by the insured.

(c) *Freely negotiable*: normally, neither the insurer nor the insured is bound to renew or to accept particular terms (but see below). The precise terms of renewal are open for discussion and negotiation.

(d) *Legal obligations*: in law, the insurer does not have to remind the insured that the renewal date is approaching. Obviously, it is normally in the insurer's interest to do so, but if he does not and the insured takes no action the policy merely **lapses** at the end of the period of cover.

Note: we should not say that the policy is **cancelled** if it is not renewed. **Cancellation** always implied a premature termination of cover.

(e) *Long Term Agreements* (LTAs): these are an exception to some of the above comments. For certain desirable **property** insurances, the insurer seeks to ensure continuity of business. Accordingly, a **long term agreement** may be applied to the contract, the features of which include:

(i) the **insured** promises to **offer** the insurance each year for say three or five years (the contract is still **annual**, not **long term**);

(ii) the **insurer** is **not** bound to accept renewal (although normally he does);

(iii) a premium **discount** is allowed to the insured for his promise;

(iv) the **insured** is not bound by his promise if the insurer **increases** the premium.

1.4.2 Operation of Cancellation Clauses

It is important to note that there is no **automatic right** to **cancel** any contract (and this includes insurances). The law may allow or require the contract to end under certain circumstances, but unless contract terms specifically allow **cancellation** (premature termination), this can only happen by **mutual consent**.

In practice, most general insurances do have a **cancellation clause** (or condition). Features to be noted with such clauses are:

(a) *The insurer may cancel*: cancellation clauses **always** allow the **insurer** to cancel. Notice must be given to the **insured** (perhaps seven days notice, by registered mail, to the insured's last known address) and a **pro rata** refund of premium is payable.

(b) The insured may cancel: whilst not universal, cancellation clauses usually also allow the insured to cancel. In such cases, notice may be immediately effective and only a short-period refund of premium is allowed (sometimes no refund is allowable, if a claim has been made in the current period of insurance).

(c) Practical applications: it is rare for an insurer to invoke the cancellation clause. The traditional view of many insurers was that having underwritten the risk they will "grin and bear it" with disappointing results until renewal. Of course, there are circumstances where the traditional view is modified. These will include:

(i) **suspected fraud**: if the insurer feels sure that the insured is guilty of fraud, he may wish to terminate association with him immediately (of course, if fraud can be **proved**, the policy can automatically be terminated);

(ii) **disastrous experience**: there is a limit to the extent that an insurer can be expected to "grin and bear it". Sometimes circumstances change so rapidly that continuation of cover (perhaps for the whole **class** of business) becomes near "suicidal". The cancellation clause is useful in such extreme cases.

(d) Miscellaneous considerations: in Macau, neither party is obliged to say why they wish to invoke the cancellation clause. As a contract term, it is a right, not a conditional privilege. From the insured's point of view, he may have found a cheaper insurer or he may have become disenchanted with his insurer and/or agent. He may keep his reasons to himself.

From the **insurer's** prospective, again reasons do not have to be given, but cancellation is only likely with reasons given in **(c)** above, or perhaps after the subject matter has been destroyed by an **uninsured peril**.

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2 COMPULSORY INSURANCE

Certain types of insurance covers are made compulsory in various countries and territories depending on the extent of the social benefit derived in terms of protecting the population in general against insurable risks.

In Macau SAR, 6 compulsory insurance coverages have been regulated with corresponding uniform policy wordings and tariff rates. The rate of commission is also regulated by the AMCM by way of notices published in the Official Gazette in respect of the following compulsory insurances:

a) Motor Vehicles Insurance (Third Party Risks);

b) Employees' Compensation Insurance;

c) Professional Liability Insurance for Travel Agents;

d) Public Liability Insurance relating to the Fixing of Propaganda and Publicity Material; and

e) Third Party Liability Insurance for Pleasure Boats

f) Professional Liability Insurance for lawyer

We shall present a summary of the key points of each type of compulsory insurance in this Chapter. Intermediaries should consult with their principals regarding actual policy wordings and other specific details which are not mentioned in the Study Notes.

2.1 MOTOR VEHICLE INSURANCE

The significance of a motor insurance portfolio is particularly increased by the fact that for practical purposes all motor vehicles used in Macau must be the subject of insurance. The Motor Vehicles Insurance (Third Party Risks) Ordinance, Decree-Law No. 57/94/M, of 28th November stipulates that vehicles shall only be authorised for use on public roads provided they are insured under a third party liability policy, issued by a legally authorised insurance company, against loss or damage to third parties. The tariff of insurance premiums and conditions for Motor Vehicle Insurance are established by the Ordinance.

(a) Basic intentions and scope of cover

The types of cover available may be divided into 3 categories:

(i) 'Third Party Risk': this covers the insured for his liability at law for death, injury or property damage to third parties.

(ii) Cover on the Motor Vehicle Risk – Risk 4 (or Third Party, Fire and Theft): this includes the cover for (i) above, plus property insurance of the insured vehicle, but only for loss or damage resulting from 'Fire, Lightning or Explosion' or 'Theft or Burglary'.

(iii) Cover on the Motor Vehicle Risk - Risk 3 (or Comprehensive): the widest form of cover available, this includes all that (i) and (ii) above cover, as well as loss or damage resulting from 'Impact, Collision or Overturning','Isolated Breakage of Glass', 'Flood', 'Typhoon', 'Tropical Storm', 'Volcanic Eruption', 'Earthquake' or 'Other Convulsions of Nature'. Obviously, the premium for comprehensive cover is the highest.

(b) 'Third Party Risk'

A 'Third Party' insurance means that liability for death, bodily injury or property damage of any person (other than persons excluded) caused by or arising out of the use of a vehicle on a road must be covered. The minimum amount of cover required in respect of Third Party Death, Injury liability and Property Damage is dependent on the types of vehicles to be insured. The minimum sum insured for common types of vehicles are listed in the following exhibit:

Types of vehicles	**Maximum Sum Insured per year**	**Minimum Sum Insured per accident**
Light motor vehicles and motor cycles	MOP 30 million	MOP 1.5 million
Light motor vehicles for taxi	MOP 30 million	MOP 3 million
Heavy motor vehicles used for public transportation of passengers	MOP 30 million	MOP 4 million
Heavy motor vehicles for public transportation used for carriage of goods	MOP 30 million	MOP 4 million

(c) No Claim Discount

A significant and unique feature of motor insurance is the practice of granting a progressive discount on the renewal premium if the previous year has been claim-free. One claim-free year earns a 10% No Claim Discount (NCD), the second year 20% and so on, rising to a maximum of 50% after five claim-free years.

(i) Originally, the system was known as a No Claim Bonus (NCB). Technically, this is an incorrect title, since a bonus implies the receipt of extra money. "No claim discount"(NCD), i.e. a reduction on next year's premium, is more accurate. However, old customs are difficult to remove. Consequently, you may still hear reference to an "NCB"(rather than NCD) entitlement.

(ii) The NCD system operates on what is called a 'step-back system". This means that a single claim will not totally destroy a high entitlement to a discount. For four or more years entitlement (40% or 50% NCD) a single claim during the year reduces the discount on renewal to 10% or 20% respectively. Lesser entitlements, of course, mean that any claim will wipe out the discount at renewal.

(d) Common exclusions/exceptions

Some important limitations on the cover provided, common with the policies for all classes of vehicle, include the following:

(i) Accidents occurring outside the specified Geographical Area of coverage.

(ii) Use of the vehicle otherwise than in accordance with the specified use stated in the policy schedule. The purpose of use is an important feature in determining the premium. So, for example, if a vehicle is insured as a private car and is used as a taxi, this breaches policy conditions.

(iii) Exclusions of certain fundamental or high risks, such as:

(1) War, civil war and associated risks

(2) Nuclear and radioactive risks

(3) Contractual liability, that is liability of the insured which he has assumed under a contract (agreement), when liability would not otherwise have arisen.

(iv) Loss or damage caused to the driver of the motor vehicle, and the Policyholder.

(v) Property belonging to or held in trust by the insured.

(vi) Any applicable policy excess (any third party property damage excess stated on the policy should not be borne by claimants).

(e) Common rating features

Individual features may affect the premium for particular risks, but as a general rule motor insurance premiums in Macau are likely to be based upon the following factors:

(i) The scope of cover (i.e. ‘Third Party Risk’, or ‘Third Party, Fire & Theft’ or ‘Comprehensive’).

(ii) The engine power/carrying capacity: The cubic capacity of the engine (or carrying capacity with commercial vehicles) directly affects the risk and therefore premium.

(iii) The insured’s estimate of value (if property damage on the insured vehicle is included).

(iv) The use of the vehicle: Clearly, extensive business use of a private car, for example, represents a higher risk than one used only for social and domestic purposes.

Note: Other features may also be taken into account, such as:

(1) the regular drivers of the insured vehicle, e.g. their age, driving and accident experience;

(2) the type of vehicle, e.g. the age of the vehicle, etc.

Unless otherwise stated, the surcharges, discounts or no claim discounts indicated in the Tariff are fixed and shall be applied compulsorily.

(f) Standard policy excesses

A policy excess (sometimes called a deductible) means that up to the stated amount is not insured. For example, under a policy which covers property damage on the insured vehicle, an excess of MOP2,000 means that with damage to MOP12,000, the insured can recover under the policy the amount of MOP10,000, and so on.

An excess may be a voluntary excess (i.e. requested by the insured), in return for a premium discount. It may be an underwriting excess (i.e. imposed by the underwriter with no accompanying premium reduction), to meet an undesirable underwriting feature with the particular risk concerned. A standard policy excess, however, means that it will apply to all policies within the class. Features of standard excesses are:

(i) They will always be additional to any voluntary or underwriting excess.

(ii) They do not qualify for any premium reduction. They are part of the basic contract cover.

(iii) They may be related to some particular feature (e.g. age of driver) or universally applicable to eliminate small claims and to involve the insured in the cost of his own accident experience.

(g) Right of recovery provision (in case of absence of notification or late notification of accidents to insurer)

This long title describes policy rights under situations where compulsory insurance requirements will not allow the insurer to deny liability for death or bodily injury claims from third parties, even though there is a breach of policy conditions. Most commonly this will arise where the insured fails to report an accident to the insurer, or admits liability to a third party, both of which breach policy conditions.

In such circumstances, if the insured is liable to the third party the claim must be met. However, under this clause the insurer has a right of recovery for such payment from the insured.

(h) Documentary evidence of insurance cover

The third party liability card or the provisional certificate of insurance, based on the format set out in the Decree-Law, shall act as evidence of insurance. The provisional certificate of insurance substitutes temporarily the third party liability card and shall be issued at the time of acceptance of the insurance, or if the policy is already in force, when any amendment requires the issuing of a new card.

Besides the identification of the name of the insurer, the third party liability card and the provisional certificate of insurance shall compulsorily contain the following information:

- The serial number of the card;
- Name of the insured;
- Policy number;
- Expiry date of the insurance, or in the case of provisional certificate of insurance, its validity period, as well as the day and the hour of commencement of insurance;
- The model, and vehicle registration number of the motor vehicle;
- Limit of compensation per accident and per year;
- Reference to the fact that the insurance contract shall cease to be effective, under the terms of the legislation in force, at 24:00 hours (midnight) on the day of sale of the motor vehicle.

It should be remembered that during traffic checks conducted by the competent authorities and whenever required, the drivers of motor vehicles shall be required to produce, in addition to the legal documents necessary for driving and using a motor vehicle, the third party liability card or the provisional certificate of insurance (as applicable) of the motor vehicle as evidence of insurance.

In case of an accident, the failure to produce the above mentioned insurance evidence shall result in the seizure of the motor vehicle, and the vehicle shall be released on payment of indemnity due, or if a guarantee is furnished for the minimum amount of insurance, or if duly proven the existence of such guarantee on the date of the accident.
The Policy Schedule is another piece of important document in the Motor Policy which shall sets out the specific details of the insured motor vehicle, the terms and conditions of the insurance cover, and the identity of the insured and insured drivers.

The specimen of the all the above mentioned documents can be found in Appendix I, and II of this Chapter.

(i) Other features

(i) Motor Co-Insurance Pool Arrangement: Whenever the vehicle to be insured has specific characteristics, which do not fall within the categories established in the premium tariff and general conditions of motor insurance, or where the loss experience is seen to be abnormal, as defined in the tariff, the AMCM shall be competent to set out, on a case by case basis, the conditions of acceptance or renewal of the respective insurance contracts. This is the so-called "Motor Co-Insurance Pool Arrangement" and is applicable to Compulsory Third Party Risk only.

Under this arrangement, where the acceptance of insurance is refused by at least 3 insurers, the proponent may turn to the AMCM for definition of the special conditions of acceptance.

One among the authorised motor insurers, being nominated to be the Co-insurer

Leader for a specific period, would be obliged to accept the insurance under the conditions defined by the AMCM. The operating results of such insurance contracts shall be shared by all the authorised motor insurers in Macau.

(ii) Sale of the motor vehicle: The insurance policy expires at 24:00 hours (midnight) on the day of the sale of the motor vehicle, unless the insurance is transferred to another vehicle before that time. Moreover, the policyholder shall notify the insurer within 24 hours of the sale of the motor vehicle.

2.2 EMPLOYEES' COMPENSATION INSURANCE

Employees' compensation insurance is a very important class of business. As with motor insurance, it represents a major branch of compulsory insurance. Under the provisions of Employees' Compensation Insurance Ordinance, Decree-Law No. 40/95/M, of 14th August, the employees of all sectors of activity, excluding the civil servants, are entitled to compensation for loss or injuries resulting from accidents due to employment or occupational diseases.

(a) Basic intentions and scope of cover

EC policies cover the legal liabilities of the employer towards his employees. This cover is provided under the Employees' Compensation Ordinance, which is, the statutory liability placed upon an employer to pay compensation in stipulated amounts to employees or their dependants in respect of injury or death arising out of and in the course of employment.

The liability transferred to the insurer is in respect of the following:

(i) Compensation in case of death, including funeral expenses, and compensation for permanent or temporary incapacity;

(ii) Medical expenses which are of medical, surgical, and hospital nature, necessary and adequate to restore the victim's health, and his working capacity.

The maximum liability of the insurer in respect of death and funeral expenses of each employee is MOP1,000,000, and MOP16,940 respectively. In relation of permanent and temporary incapacity, the maximum liability is MOP1,250,000 and 2/3 of sustained reduction in the general earnings capacity respectively.

The medical expenses shall be subject to the following maximum limits:

- Up to MOP 3 million per employee per accident/disease and
- Up to MOP270 per day per consultation (including diagnosis and treatment) for out-patient cases.

The policy wording of EC insurance is uniform and a specimen of the policy schedule can be found in Appendix III of this Chapter. The policy together with the schedule must be presented to the competent authorities as and when required to prove the existence of insurance cover.

(b) Limitations and exclusions

As EC is a compulsory class of insurance, there are not many exclusions. Typically, however, the policy will exclude:

- Accidents or disease sustained by the Insured;
- Insured's spouse and children or any other immediate relatives (unless otherwise specifically mentioned in the Policy);
- Partners or shareholders who work for the Insured (unless otherwise specifically mentioned in the Policy);
- The definition of "occupational accident/disease" does not include formed hernia, occupational respiratory disease, and costs incurred with the call at a port for evacuation of the victim;
- Expenses incurred outside the Macau SAR (unless otherwise specifically mentioned in the Policy);
- 'Standard" exclusions, such as war and nuclear risks.

(c) Premium basis

This is usually a rate percent (according to the type of employer concerned) applied to the annual payroll of the employer. As such, the initial premium must be provisional, subject to adjustment when the final figures for the year are known.

The tariff (i.e. rate percent) of EC policies is fixed, and shall be applied compulsorily. Please refer to your Principal if you wish to have further details of the tariff.

(d) Other features

(i) Right of recovery: This provision is identical in intent to that in motor policies. It gives a right of recovery from the insured if compulsory insurance legislation compels an insurer to pay a claim when a breach of policy provisions would otherwise allow the insurer to avoid liability. With EC claims, this right may be of more value, since the insured is perhaps more likely to be able to reimburse the insurer.

(ii) Premium adjustments: Most employers understate their payroll when the provisional premium is being calculated, so following up adjustment is quite important.

(iii) No Claim Discount: A feature of EC policies which grants a progressive discount on the renewal premium if the previous year has been claim-free. The first claim free year earns 10% No Claim Discount (NCD), the second, 15% and the maximum is for the third year, which is 20%.

The NCD system operates on a 'step-back system'. This means that a single claim will not totally destroy an NCD entitlement. For two or more years entitlement (15% or 20%), a single claim during the year reduces the discount on renewal to 10% or 15% respectively. Lesser entitlement, of course, means that any claim will wipe out the discount at renewal.

(iv) EC Co-Insurance Pooling Arrangement: Procedures are the same as in compulsory motor third party liability insurance.

2.3 PROFESSIONAL LIABILITY INSURANCE FOR TRAVEL AGENTS

This insurance satisfies what is legally required of travel agents in respect of its obligation to effect an insurance policy which covers its inherent professional liability. The Executive Order No. 263/99/M of 14th June defines the General Conditions and Schedule of the Uniform Policy. The minimum limit of indemnity to be insured is MOP700,000 per claim.

(a) Basic intention and scope of cover

The policy shall indemnify, subject to the limits of indemnity stated in the schedule, only the compensation which the Insured may be civilly liable in respect of personal loss or damage, both bodily injury and property damage, caused, fraudulently or not, to its clients or to third parties, and which resulted exclusively from its activities.

In addition to the limits of indemnity, the Insurer shall only be liable for the costs and expenses of litigation incurred by the Insured after having acted according to the instructions of the Insured, including any other expenses incurred by the Insured with the written consent of the Insurer.

(b) Limitations and exclusions

Among the list of exclusions, the most important ones are as follows:

(ii) *Contractual liability: (or liability assumed under an agreement) is excluded.*

(iii) *Loss or damage to the Insured, his employees, representatives, and their property, or property held in trust by or under the custody or control of the insured.*

(iv) *Damage or loss caused by the client or third parties or failure to act upon the instructions of the insured;*

(v) *As a result of motor accident which, under the terms of the law, should be covered by statutory third party insurance;*

(vi) *Client's refusal to accept any increase in the price agreed upon, provided such increase was stipulated in the respective programme*

(vii) *Due to cancellation of service, with at least 15 days' advance notice, for not having attained the minimum number of passengers originally fixed, provided such condition is clearly stated in the programme.*

(viii) *'Standard" exclusions of war, and nuclear risks, etc.*

(c) Premium basis

The basic annual premium is 1% on the annual turnover of the insured. For higher limit of indemnity (i.e. exceeding MOP700,000 per claim), a surcharge of at least 15% of the basic will be applied.

A specimen of the Policy Schedule can be found in Appendix IV of this Chapter. The tariff rate is fixed and established by Executive Order No. 265/99/M, 14th June.

(d) Other features

(i) Excess: An amount corresponding to 10% claim amount shall be borne by the Insured for each claim. If the Insured is willing to bear a higher level of excess, the corresponding premium to be payable will be reduced.

(ii) Subrogation rights of the Insurer: After paying the claim, the insurer shall be subrogated, up to the amount of the compensation, to all the rights, proceedings and appeals of the Insured against the person ultimately responsible for the claim and for all the costs and expenses involved under this policy. The insured is obliged to take all steps necessary to carry out the subrogation right of the insurer.

2.4 PUBLIC LIABILITY INSURANCE RELATING TO THE FIXING OF PROPAGANDA AND PUBLICITY MATERIAL

The Public Liability Insurance relating to the Fixing of Propaganda and Publicity Materials Ordinance, Decree-Law No. 38/96/M, 15th July, establishes the terms and conditions of the compulsory third party liability insurance for propaganda and publicity material (also known as 'signboards').

(i) Basic intention and scope of cover

The insurance corresponds to the requirement of the municipal order concerning the obligation to effect an insurance policy to guarantee the public liability arising from the signboard.

The policy indemnifies third parties in relation to compensation which the Insured may be legally liable for any personal loss or damage, be it bodily injury, property damage or otherwise caused by the signboard as specified in the Schedule and within the limit of indemnity stated in the policy.

The insurer shall equally be liable for the costs and expenses of litigation incurred by the Insured after having acted according to the instructions of the Insurer, including any other expenses incurred by the Insured with the written consent of the Insurer.

Policy wordings are uniform. The specimen of the Schedule can be found in Appendix V.

(ii) Limitations and exclusions

(a) Geographical: Accidents occurring outside the geographical area of the Macau SAR.

(b) Contractual liability: (or liability assumed under an agreement) is excluded.

(c) "Standard" exclusions of war, and nuclear risks, etc.

(d) Loss or damage arising from vibrations or removal or weakening of support.

(e) Damage to property held in trust by or in the custody or control of the insured or its representatives.

(f) Existence of other insurances: The Company shall not be liable to pay more than its ratable proportion of any compensation, costs, charges, or expenses.

(g) Bodily injury to the partners in the Insured's service, employees, staff, and his spouse and family members.

(iii) Premium basis

The annual premiums are dependent on the selected limit of indemnity per accident (i.e. MOP100,000, MOP200,000, MOP500,000 , etc) and the amount of excess (i.e. from MOP1,000 to MOP4,000 per claim). The annual premium ranges from MOP210 per signboard (with a limit of indemnity of MOP100,000 and an excess of MOP4,000), to MOP1,200 per signboard (with unlimited indemnity and MOP1,000 excess).

The tariff for this type of policy is defined and fixed by Executive Order No. 168/96/M, 15th July.

(iv) Other features

(a) Excess: The insurance cover is subject to the application of an excess per accident which shall be borne by the Insured. The excess is voluntary (subject to a minimum of MOP1,000 per claim) and higher level of excess can be selected by the insured in return for a lower premium.

(b) Subrogation of the Insurer: The insurer shall be subrogated, up to the amount of the compensation paid, in all the rights, actions and proceedings of the Insured against the persons held responsible for the accident insofar as all the costs and expenses incurred under this policy. The Insured is obliged to do whatever necessary for the Insurer to exercise its subrogation rights.

2.5 THIRD PARTY LIABILITY INSURANCE FOR PLEASURE VESSELS

(i) Basic intention and scope of cover

The introduction of third party liability insurance for pleasure vessels in the Macau SAR is to protect the lawful interests of victims of accidents caused by such vessels. Under the terms of the Third Party Liability Insurance for Pleasure Vessels Ordinance, Decree-Law No. 104/99/M, of 13th December, vessels classified as pleasure vessels shall only be authorised to navigate provided they are insured for damages under a third party liability insurance policy, issued by a legally authorised insurer.Vessels utilised in nautical sports, fishing or for recreation, including water-scooters, shall be considered as "Pleasure Vessels". The Administrative Regulation No. 24/2003, 10th July, defines the General Conditions and Schedule of the Uniform Policy. The minimum sum insured for the third party liability insurance is MOP 1 million.

(ii) Limitations and exclusions

Some important limitations on the cover provided under the Ordinance include the following:

- Loss or damages to the Owner (and his/her spouse, and family relatives) of the pleasure vessels;
- Loss or damages to the insured pleasure vessels;
- To the goods carried in the insured pleasure vessels either during transportation or in connection with loading and unloading of the pleasure vessels;
- To the third parties as a result of loading and unloading of the pleasure vessels;
- To the passengers when they are being carried in breach of any provisions relating to the respective transportation;
- "Standard" exclusions (e.g. accidents caused directly or indirectly by radiation, explosion, heat diffusion, etc);
- Accidents occurring during motor sport events as well as during any official training sessions unless otherwise stated in the policy.

(iii) Premium basis

The minimum indemnity for third party liability insurance for pleasure vessels is MOP 1,000,000. The premium calculated shall be subject to a minimum amount of MOP2,500 in case that the vessel is yacht and MOP 1,000 for other type of pleasure vessels. The minimum requirement for excess is 10% with premium rate being set at 2.5% for yacht and 1.0% for other pleasure vessels. Besides, the insured can enjoy different premium rate discount for other higher levels of excess per claim. The following is a table showing the premium discount rates corresponding to different excess levels:

Excess	Premium rate discount
15%	10%
20%	15%
25%	20%

(iv) Other features

(a) Pleasure Vessels Co-Insurance Pooling Arrangement: same as in compulsory motor third party liability insurance.

2.6 PROFESSIONAL LIABILITY INSURANCE FOR LAWYERS

The lawyer firm has to effect professional liability insurance cover for each of its legally qualified lawyers in respect of the legal liabilities that may arise from their professional activities. The Administrative Regulation No. 40/2003, of 4th December, defines the General Conditions and Schedule of the Uniform Policy.

(i) Basic intention and scope of cover

The respective insurance contract guarantees the indemnities that the Insured may be legally required to pay for patrimonial loss or damage caused to third parties, resulting exclusively from acts, omissions or non-fulfilment of the obligations on the part of the Insured in the course of his/her professional activity as a lawyer.

The contract equally covers the legal liability in respect of third parties for which the Insured may be held responsible for acts or omissions on the part of his non-lawyer staff and of the trainee lawyers, so too for accidents caused to third parties within the office premises of the Insured.

For the purposes of the preceding paragraph and under pain of exclusion of the respective cover of the insurance contract, the Insured shall communicate to the Company, by registered letter or by other means of written communication, the names of his non-lawyer staff and of the trainee lawyers to be so covered.

The insurance policy satisfies what is legally required in respect of the obligation to insure, pursuant to the terms of the Administrative Regulation No. 39/2003, of 4th December, which establishes the compulsory Professional Liability Insurance for Lawyers in Macao SAR.

(ii) Limitations and exclusions

The present contract shall not cover the liability:

- For loss or damage resulting from the lack of capacity or legitimacy to enter into a contract on the part of the persons who intervene in business dealings with the Insured, when such facts are fraudulently concealed from the Insured, and in the cases where it is impossible for the Insured to fulfil his/her legal obligation in terms of certifying the capacity and the legitimacy of the persons in whose business dealings they intervene;

- Resulting from acts performed by the Insured with the agreement of the client, for the purpose of obtaining benefits or reductions of a fiscal nature;

- For loss or damage resulting from inability to fulfill contractual obligations or from any other legal obligations due to " force majeure" not attributable to the Insured;

- For the payment of taxes, penalties and fines of any nature;

- Arising out of bodily injury, mental anguish, emotional distress, sickness, disease or death to any employee of the Insured, or damage to or destruction of any property of any employee of the Insured from any cause, including loss of use, arising out of accidents that can be characterized as occupational accidents or occupational diseases;

- For loss or damage caused to partners, managers and legal representatives of the entity whose liability is covered;

- For loss or damage caused to any persons whose liability is covered by this contract, as well as to the spouse, ascendants and descendants or to persons who cohabit with such persons or depend on such persons for their livelihood;

- Relating to claims, based on the liability of the Insured, which result from private agreement or contract, where such claims exceed the legal liability of the Insured covered by this contract;

- For loss or damage due to acts of war, civil war, invasion, hostilities, rebellion, insurrection, usurped military force or attempted usurped force, terrorism, sabotage and labour disturbances such as assaults, strikes, tumults and "lock-outs";

- For loss or damage caused by accidents with vehicles or pleasure boats, which according to the laws in force should be subject to compulsory third party liability insurance;

- Which arises out of any error, omission or negligence committed or alleged to have been committed prior to the Retroactive Date specified in the Policy Schedule;

- Arising out of an alleged or actual infringement of copyright, trademark, registered design or patent;

- Directly or indirectly based upon, attributable to or in consequence of any trading debt incurred by the Insured or any guarantee given by the Insured for a debt or any disputes involving the Insured's fees or charges or any principal amount and interest arising from the advancement of a loan or transaction in the nature of a loan or extension of credit made by or obtained from the Insured;

- Arising out of or relating directly or indirectly from the insolvency or bankruptcy of the Insured;

- Arising out of any legal liability of whatsoever nature directly or indirectly caused by or contributed to, by or arising from ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of any nuclear fuel, radioactive toxic explosive, or other hazardous properties of any explosive nuclear assembly or nuclear component thereof;

- Arising out of any financial loss directly, indirectly or allegedly caused by, or in consequence of seepage, pollution of air, water or soil or contamination of any kind;

- Relating to libel or slander;

- In respect of losses directly or indirectly arising out of, or in consequence of, or in any way involving asbestos, or any materials containing asbestos in whatever form or quantity.

(iii) Premium basis

The basic premium rate for this insurance is 0.5% of the sum insured. However, depending on the applicable rate of excess per claim during the insurance period, the basic premium rate shall be reduced by applying the corresponding premium discount rate. In other words, the higher the rate of excess per claim, the lower will be the applicable premium rate. The following table shows the corresponding premium rate for each excess level:

Excess	Premium Discount	Premium Rate
10%	5%	4.75%
15%	10%	4.50%
20%	15%	4.25%
25%	20%	4.00%

The above premium rate is stipulated by the Administrative Regulation No. 41/2003, of 4th, December.

(iv) Other features

(a) No claim bonus: If no claim is made during a period of insurance specified below, immediately preceding the renewal of the insurance policy, which may give rise to the

payment of any compensation or the setting up of provision for likely future payment of such compensation, the insured shall be entitled to a reduction in the subsequent renewal premium as follows:

<u>Period of insurance</u>	<u>Reduction</u>
The preceding year …………………………………………….………	5%
The preceding two consecutive years………..……..………………….	10%
The preceding three or more consecutive years………..………….	15%

(b) Subrogation: Upon settlement of the claim, the Company shall subrogate, up to the amount of indemnity paid, in all the rights of the Insured against the third party responsible for the losses, while the Insured shall be obliged to do whatever is deemed necessary to make such rights effective.

APPENDIX I – SPECIMEN OF MOTOR INSURANCE THIRD PARTY LIABILITY CARD AND PROVISIONAL CERTIFICATE OF INSURANCE

<table>
<tr><td colspan="5">THIRD PARTY LIABILITY CARD</td><td>Nº _______________</td></tr>
<tr><td colspan="6">INSURED____</td></tr>
<tr><td rowspan="2">Policy Number</td><td rowspan="2">Expiry</td><td colspan="2">Motor vehicle</td><td colspan="2">Limit of compensation</td></tr>
<tr><td>Model</td><td>Registration nº</td><td>Per accident</td><td>Per Year</td></tr>
<tr><td>_________</td><td>___/___/___</td><td></td><td></td><td>MOP</td><td>Unlimited</td></tr>
<tr><td colspan="6">Name of the Company
Seal and signature</td></tr>
</table>

<table>
<tr><td colspan="5">PROVISIONAL CERTIFICATE OF INSURANCE</td><td>Nº _______________</td></tr>
<tr><td colspan="6">INSURED____</td></tr>
<tr><td colspan="2">Commencement of insurance</td><td colspan="2">Motor vehicle</td><td colspan="2">Limit of compensation</td></tr>
<tr><td>Day</td><td>Hour</td><td>Model</td><td>Registration Nº</td><td>Per accident</td><td>Per year</td></tr>
<tr><td>___/___/___</td><td></td><td></td><td></td><td>MOP</td><td>Unlimited</td></tr>
<tr><td colspan="4">It is stated that this provisional certificate of insurance replaces temporarily the third party liability card and it is valid until _________/___/___.</td><td colspan="2">Name of the Company
Seal and signature</td></tr>
</table>

In any of the documents, reference may be made to the fact that the insurance policy shall cease, under the legislation in force, at 24:00 hours (midnight) on the day of sale of the motor vehicle.

APPENDIX II – SPECIMEN OF MOTOR INSURANCE POLICY SCHEDULE

MOTOR VEHICLE	*POLICY SCHEDULE*	*POLICY Nº*

INSURED	*ADDRESS*

Date of commencement of insurance (from hours)	*Period of insurance*	*Expiry date (up to 24:00 hours)*

INSURED VEHICLE							
Registration Nº	*Make-model*	*Engine nº*	*Year of manufacture*	*Cubic capacity*	*Seating capacity/ gross weight*	*Type of body*	*Use*

INSURED RISKS AND LIMITS OF LIABILITY

THIRD PARTY RISKS			*LOSS OR DAMAGE TO THE INSURED VEHICLE*	
COVERS	*Limits of liability*		*COVERS*	*Insured Value*
	Per accident	*Per year*		
I- Bodily injury and material damage caused to third parties	*$*	*Unlimited*	*III- Impact, Collision or Overturning, Fire, Lightning, or Explosion, Theft or Burglary, Breakage of Glass, Flood, Typhoon, Volcanic Eruption, Earthquake and Other Convulsions of Nature*	*$*
II- Bodily injury and material damage caused to passengers in vehicles of public transportation	*$*	*Unlimited*	*IV- Fire, Lightning or Explosion and Theft or Burglary*	*$*

SPECIAL CLAUSES Applied to this Policy	*EXCESS Referred to in Article 12*	*TOTAL PREMIUM Including the legal additionals*	*"EXTRAS" OF THE VEHICLE INSURED BY THE POLICY*		
			Description	*Make*	*Value*
NºS	*$*	*$*			*$*

SPECIAL TERMS

Macau, at

INSURANCE COMPANY
Seal and Signature

APPENDIX III – SPECIMEN OF EMPLOYEE'S COMPENSATION INSURANCE POLICY SCHEDULE

<table>
<tr><td colspan="4">EMPLOYEES' COMPENSATION INSURANCE</td><td colspan="2">POLICY SCHEDULE</td><td colspan="2">POLICY Nº:_______________</td></tr>
<tr><td colspan="4">Insured</td><td colspan="2">Address</td><td colspan="2">Business activity</td></tr>
<tr><td colspan="4"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="4">Date of commencement of insurance (at hrs)</td><td colspan="2">Period of insurance</td><td colspan="2">Maturity (at 24:00 hrs)</td></tr>
<tr><td colspan="4"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="3">Premium</td><td colspan="2" rowspan="2">Applicable legislation</td><td colspan="2" rowspan="2">Special Clauses
Applicable to this Policy</td><td rowspan="2">Geographical area</td></tr>
<tr><td>Amount</td><td>Stamp duty</td><td>Total</td></tr>
<tr><td>$</td><td>$</td><td>$</td><td colspan="2">Decree-Law nº 40/95/M, of 14th August</td><td colspan="2">Nºs</td><td>Macau</td></tr>
<tr><td colspan="4">Occupations of employees</td><td colspan="2">Estimated number of employees</td><td colspan="2">Estimated total salaries, wages or other earnings on which the premium is calculated</td></tr>
<tr><td colspan="4"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="8">SPECIFIC DECLARATIONS</td></tr>
<tr><td colspan="4">Issued at Macau on</td><td colspan="4">NAME OF THE INSURANCE COMPANY
Stamp & Signature</td></tr>
</table>

APPENDIX IV - SPECIMEN OF POLICY SCHEDULE OF PROFESSIONAL LIABILITY INSURANCE FOR TRAVEL AGENCIES

<table>
<tr><td colspan="2">PROFESSIONAL LIABILITY INSURANCE
POLICY FOR TRAVEL AGENCIES</td><td colspan="2">Policy Schedule</td><td colspan="2">Policy Nº ____________________</td></tr>
<tr><td colspan="3">Insured</td><td colspan="3">Address</td></tr>
<tr><td colspan="3"></td><td colspan="3"></td></tr>
<tr><td colspan="2">Date of commencement of insurance (at 0:00 hrs)</td><td colspan="2">Period of insurance</td><td colspan="2">Maturity (at 24:00 hrs)</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="3">Limits of indemnity</td><td colspan="3">Premium</td></tr>
<tr><td>Per accident</td><td colspan="2">For each insurance period</td><td>Amount</td><td>Stamp duty</td><td>Total</td></tr>
<tr><td>$</td><td colspan="2">$</td><td>$</td><td>$</td><td>$</td></tr>
<tr><td colspan="4">Excess (pursuant to Article 12 paragraph 1 of General Conditions)</td><td colspan="2">$</td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="6">Special Clauses</td></tr>
<tr><td colspan="6">Dated in Macau, on
NAME OF THE COMPANY
Stamp & signature</td></tr>
</table>

APPENDIX V – SPECIMEN OF POLICY SCHEDULE OF PUBLIC LIABILITY INSURANCE POLICY RELATING

TO THE FIXING OF PROPAGANDA AND PUBLICITY MATERIAL

<table>
<tr><td colspan="2">Public Liability Policy Relating to the Fixing of Propaganda and Publicity Material</td><td colspan="2">Policy Schedule</td><td colspan="2">Policy Nº</td></tr>
<tr><td colspan="2">Insured</td><td colspan="2">Address</td><td colspan="2">Activity</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="2">Date of commencement of insurance (at 0:00 hrs)</td><td colspan="2">Period of insurance</td><td colspan="2">Maturity (at 24:00 hrs)</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="3">Applicable Legislation</td><td colspan="3">Excess</td></tr>
<tr><td colspan="3">Municipal orders in force</td><td colspan="3">$1,000.00 or other amount indicated below according to Article 12</td></tr>
<tr><td colspan="3">Premium</td><td colspan="3">Limits of indemnity</td></tr>
<tr><td>Amount</td><td>Stamp duty</td><td>Total</td><td colspan="2">Per accident</td><td>For each insurance period</td></tr>
<tr><td>$</td><td>$</td><td>$</td><td colspan="2"></td><td>Unlimited</td></tr>
<tr><td colspan="6">Particulars of the propaganda and publicity material</td></tr>
<tr><td colspan="3">Description</td><td colspan="3">Position of the material and its location after it is installed</td></tr>
<tr><td colspan="3"></td><td colspan="3"></td></tr>
<tr><td colspan="6">Special clauses</td></tr>
<tr><td colspan="3">Dated in Macau, on</td><td colspan="3">NAME OF THE COMPANY
Stamp & Signature</td></tr>
</table>

APPENDIX IV - SPECIMEN OF POLICY SCHEDULE OF COMPULSORY PROFESSIONAL LIABILITY INSURANCE FOR LAWYERS

<table>
<tr><td colspan="3">UNIFORM POLICY FOR COMPULSORY PROFESSIONAL LIABILITY INSURANCE FOR LAWYERS</td><td>POLICY SCHEDULE</td><td colspan="4">POLICY Nº ___________________</td></tr>
<tr><td colspan="4">Policyholder</td><td colspan="4">Insured</td></tr>
<tr><td>Name</td><td colspan="3"></td><td>Name</td><td colspan="3"></td></tr>
<tr><td>Address</td><td colspan="3"></td><td>Address</td><td colspan="3"></td></tr>
<tr><td colspan="2">Date of commencement of insurance</td><td colspan="2">Period of insurance</td><td colspan="2">Expiry date</td><td colspan="2">Retroactive date</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="3">Sum insured</td><td colspan="3">Excess (Per claim)</td><td colspan="2">Total premium
(Including legal additional)</td></tr>
<tr><td colspan="3"></td><td colspan="3"></td><td colspan="2"></td></tr>
<tr><td colspan="8">SPECIAL CLAUSES

Issued in Macao
INSURANCE COMPANY

____
Seal and signature</td></tr>
</table>

3 INSURANCE PRODUCTS

In this Chapter we shall look at the major classes of business in Non-Life Insurance. Whilst it will not be necessary for you to have a very detailed understanding of each and every class of business in a wide range of subjects, it is good for the professional insurance intermediary to have a working knowledge of the various products.

It must be remembered that as far as policy wordings and terms are concerned, Macau is a free market. In these notes, therefore, we shall present what may be considered a representative summary of the particular types of business. Intermediaries should check specifically with their principals regarding actual policy wordings and available covers.

Important as the above point is from a professional viewpoint, it may be appropriate to mention again that the IIQAS examinations will be conducted on the basis that the Study Notes will contain everything sufficient for a successful examination result.

Before we look at individual classes, from the Core Subject with this Quality Assurance Programme "**Principles and Practice of Insurance**" we have three reminders, which concern topics that will be referred to later in these Study Notes:

(a) **Classification of Insurance**

One method of classifying insurance, sometimes called the *functional method*, is to look at insurances according to the basic subject matter of the insurance. There are four categories under this classification and Non-Life Insurance includes covers of all types. The categories are:

(i) *Insurances of the Person*: where the subject matter is a human person's life, limbs or health, or medical expenses. In Non-Life Insurance this will include **Personal Accident** insurance.

(ii) *Insurances of Property*: where the subject matter consists of physical things, such as **buildings**, **ships**, **motor vehicles** etc.

(iii) *Insurances of Pecuniary Interests*: these are financial interests with the relative insurances relating to loss of wealth or future income, including such classes as **Fidelity Guarantee**, **Consequential Loss** etc.

(iv) *Insurances of Liabilities*: these cover liabilities arising at law for the death, bodily injury, disease or loss of or damage to property of **third parties**.

(b) **Types of Cover with Property Insurances**

Many types of Non-Life Insurances cover loss of or damage to property belonging to or in the custody of the insured. Such **property insurances** may have cover which is:

(i) *Specified Perils*: by which is meant that the loss or damage must be proximately caused by a peril (cause of loss) specifically mentioned (specified) in the policy, e.g. fire under a fire policy etc. It will be for the **insured** to prove that a loss has been caused by a specified peril.

(ii) *"All Risks"*: this form of cover means that any loss or damage, however arising, is covered by the policy **unless** a specific **exclusion** applies. Under such form of cover, the **insured** merely has to show that a loss has occurred. It will be for the **insurer** to prove that the loss is **not** covered.

Note: Technically "all risks" is inaccurate, since some risks are **excluded** (that is why it is usually expressed in inverted commas). Some policies may therefore avoid this term and describe such cover as "*accidental loss or damage*". However, "All risks", inaccurate or not, remains the popular description and is widely used.

(c) **Fundamental Risks**

A fundamental risk is one which offers such enormous potential of loss that it is usually considered to be uninsurable by conventional insurance funds. Two examples, which usually appear as standard exclusions in Non-Life Insurance policies, are:

(i) *war and associated risks*; and

(ii) *nuclear risks*.

*It is important to understand and remember points **(a)** - **(c)** above. The substance of them is likely to arise repeatedly, without further explanation, in the Notes ahead.*

3.1 HEALTH INSURANCE

These insurance products are "insurances of the person", in the sense that the subject matter of the insurance is the life, limbs and health of a human being. Some insurers now offer this kind of cover through their life insurance departments, but originally it was general insurance business, and still is for the purposes of this study.

3.1.1 Personal Accident (PA), and Sickness

(a) **Basic intentions and scope of cover**

PA insurance was the first major class of accident insurance, originally developed to deal with a demand arising from the many accidents involving the early railways. Its basic intentions have remained constant, although the scope of cover has widened over the years.

Policy cover may be described under three main headings:

(i) *Lump sum benefits*: As the name suggests, these are single amounts payable in the event of death or other specified injury arising from an accident.

(ii) Weekly benefits: These are periodic payments related to temporary total or partial disablement. The benefit is calculated weekly, but payments are usually made monthly during disablement, subject to a maximum period (often 104 weeks).

(iii) Medical expenses: The expenses must arise because of accidental injury and are subject to a limit specified in the policy schedule.

To expand slightly on **(i)** and **(ii)** above:

(1) Compensation under **(i)** above is usually expressed as a percentage of a sum specified in the policy (often called the *Principal Sum Insured*). Death and a number of major injuries such as *Permanent Disablement, Loss of Limb(s) and Total Loss of Sight* usually merit a 100% benefit. Lesser, but still serious and permanent, injuries have lower percentages, ranging from (for example) 50% for the loss of sight in one eye, to as low as 5% for example for the loss of a single finger joint. The table of specified benefits may be quite detailed.

(2) Weekly benefits apply for temporary disablement from the insured's usual occupation, although other policy wordings may relate to "any occupation" or some other description. There are usually two divisions for this cover: Temporary Total Disablement and Temporary Partial Disablement, obviously providing different amounts of compensation.

(b) **Limitations and exclusions**

(i) Accidental bodily injury: This is defined in the policy and frequently includes such words as "physical injury from accidental, external, violent and visible means". Some policies have more modern wordings, but each is likely to insist that the injury/disablement only arises from the accident. Customary wordings include a phrase such as "solely and independently of any other cause result in ......".

(ii) Injury definitions: These will vary between insurers, but typically the following will apply:

(1) **Permanent** means lasting at least 12 months, at which time there is no reasonable hope of improvement.

(2) **Loss of limb** means physical separation at or above the wrist or ankle. (Many insurers, however, would accept permanent loss of use of the limb as being equal to the loss of the limb.)

(3) **Loss of sight** means total and irrecoverable loss of all sight in the eye(s) concerned.

(iii) Time limits: The strict policy requirements require death or disablement to take place within 12 months (or some other specified period) of the injury concerned. Of course, special circumstances (e.g. a long-lasting coma and then death) would merit sympathetic consideration.

(iv) Benefit limitations: Policies usually provide that there is no accumulation of benefits, except for weekly benefits entitlement followed by the death of the insured. As stated, temporary benefits are normally limited to 104 weeks.

(v) Specific exclusions: There are a number of these and they may be considered under various headings:

(1) **Fundamental risks** which would include war, nuclear and, increasingly these days, AIDS.

(2) **Hazardous activities**, such as dangerous sports (mountaineering, winter sports etc.) and aviation, other than as a fare-paying passenger.

(3) **Anti-social activities** which includes suicide, deliberately self-inflicted injury, alcohol and other substance abuse.

(4) **Miscellaneous exclusions**, for example, childbirth or pregnancy and whilst on duty with the fire or armed services.

(c) **Premium basis**

Individual features may have underwriting consequences, but the standard premium calculation is based upon the insured's occupation. All occupations will be classified according to their potential accident risk. Insurers may have as few as three, or seven or more, different classifications. Normally rates will be the same for male and female risks.

Cover may be purchased on the basis of one or more units, each having a table of benefits. Alternatively, individual sums insured may be selected for different kinds of benefits. Technically, there is no limit to the sums to be insured, since the insured has an unlimited **insurable interest** in himself. In practice, however, insurers would be reluctant to issue cover for amounts well in excess of normal requirements, or where weekly benefits represented far more than the insured is likely to be earning.

(d) **Other features**

(i) **Group policies**: Increasingly, PA cover may be provided as a "fringe benefit" by employers. Cover under such policies may be restricted to **working-hours** only, but is more likely to be on a **24 hours** basis.

(ii) **Sickness cover**: The above comments refer almost exclusively to **Accidents Only** covers. Sickness benefits may be included within the policy, but these will only be for Temporary Disablement benefits. Death from sickness, for example, is never covered under a PA policy, it being deemed a life insurance risk. Because of a perceived higher morbidity (sickness) rate, sickness policy premiums for female risks may be higher.

Note: Sickness cover, whilst traditionally linked with PA insurance, is now unlikely to be included with PA policies in Macau. PA policies in Macau may therefore be said to be **Accidents Only** contracts.

(iii) **Other policies**: Frequently, **PA** benefits are given as part of a "package" policy cover with other classes of insurance. They are frequently added to life insurance policies, for example. In non-life insurance, also, **PA** benefits may be part of the cover for a number of policies, e.g. travel insurance, money policies (attacks on staff carrying cash) and household insurances.

(iv) **Cancellable**: PA policies normally represent **annual** contracts, which may or may not be renewed. In addition, policies normally allow the insurer to **cancel** the policy during its currency. In practice, cancellation of a policy would rarely occur.

(v) **Age limits**: Premiums are not based on the age of the insured and rates will be the same within the insurable band of ages (e.g. 16 to 65 years).

3.1.2 Medical Insurance

(a) Basic intentions and scope of cover

Whereas PA insurance is primarily intended to provide a benefit to the insured in the event of death or injury from accident, medical insurances are intended to cover the cost of *medical expenses and/or treatment* resulting either from **accident** or **sickness**.
Policies usually represent **annual** contracts, although these may be renewed and **days of grace** are usually allowed for premiums other than the first one. Practice varies as to **cancellation** entitlements. Most policies allow cancellation by the **insured**, but not all grant the same rights to the **insurer**. Indeed, with some schemes, the intention is for the contract to be renewable at the **option of the insured**. Technically, however, this may render such a policy "long-term" in nature.

(b) Limitations and exclusions

(i) *PA exclusions*: As the cover includes circumstances covered by PA policies, nearly all the usual PA exclusions apply (see above).

(ii) Special exclusions: These include:

(1) **Congenital conditions**;

(2) **Pre-existing** conditions and disabilities (as with (1) above, the

intention is clearly to exclude situations there before cover applied);

(3) **Birth control**/infertility treatment;

(4) **Cosmetic surgery**;

(5) **Routine medical examinations** and check-ups;

(6) **Dental treatment** (unless arising from an accident during policy cover).

(c) **Premium basis**

Clearly, again remembering the PA content of this cover, the insured's profession is important. Remembering also the sickness element of cover, the age and health of the insured may also play an important part with these insurances.

(d) **Other features**

(i) **Group policies**: These policies are often on a group or family basis.

(ii) **Variations**: Medical insurances may be seen as part of a wider portfolio of **health insurance**. As a consequence, some insurers may well offer, as standard or available extra benefits, such cover as maternity and dental related expenses.

(iii) **Hospitalization cover**: Also known as **Hospital Cash Cover**, this insurance provides a stated benefit per day spent in hospital as an in-patient. Such cover is unrelated to any specific expense or fee, and may be added to medical insurance policies.

3.2 COMBINED COMPREHENSIVE OR PACKAGED POLICIES

Such insurances represent a collection of different types of cover provided under a single policy document. This is increasingly the trend, as large policyholders particularly become more sophisticated in their risk management and insurance appreciation. The form of such policies may be relatively simple, involving little more than a series of policy sections for the respective covers traditionally provided by separate policies. Alternatively, the policies may be very progressive in design, quite unlike traditional forms of cover.

Note: In some markets, the "simple" form of package policy may be described as being on a "**bolt-on**" basis, i.e. there is a basic policy cover, to which is attached (or "bolted-on") various other covers. The more sophisticated modern package may be described in other terms, such as "**umbrella**" coverage (covering everything).

3.2.1 Household Insurances

With motor insurance, household insurance represents a major element in *private insurances* (sometimes called **personal** or **private lines**) which most offices issue through their Fire Department. This class of business also represents one of the oldest forms of a "packaged" policy, including not only **property insurance** (mainly fire and associated risks), but also some **liability** and even some **insurance of the person** and **pecuniary** risks (details later).

(a) **Basic intentions and scope of cover**

The main element of cover for household insurance is **property insurance** of the buildings and/or contents belonging to the insured. Cover may be purchased insuring:

(i) *Buildings only*: This would mainly interest landlords.

(ii) *Contents only*: This would mainly interest tenants.

(iii) *Buildings and contents*: This would interest owner/occupiers.

Cover may be on a **specified perils** or (with more modern policies) on an **"all risks"** basis. Policies are detailed and complex, requiring careful study, but an outline of the cover provided includes:

(1) *Buildings* belonging to the insured or for which he is responsible. The **specified perils** cover starts with **Fire** and goes on to include most of the **Additional (Special, Extended) Perils** available with fire insurances as part of basic cover. (The list is long and includes items such as **Storm/Cyclone, Earthquake, Explosion, Animal/Vehicle Impact** etc.) In addition, loss or damage from **Theft** is included.

(2) *Contents* belonging to the insured and members of his family permanently residing with him. Also include (if not otherwise insured) property of resident household servants. With **specified perils** cover, the list is similar to that for Buildings.

Note: If the cover for **(1)** or **(2)** above is on an **"all risks"** basis, all loss or damage to specified property is covered, unless the cause is specifically **excluded**.

(3) *Contents temporarily removed* but contained in premises within the specified geographical area.

(4) *Contents in transit* to a new home.

(5) *Other "property" cover* including such miscellaneous items as replacing locks if keys are lost or stolen, and replacing frozen food which spoils owing to breakdown of refrigerators etc.

(6) *Architects and Surveyors Fees* in respect of reinstatement of damaged buildings.

(7) *Accommodation/Rent* if premises are uninhabitable because of an insured peril, the policy may provide for the additional costs involved with alternative accommodation or (in the case of a landlord) the loss of rent. (These, of course, are **pecuniary** insurances.)

(8) *Public liability* towards third parties as a consequence of the insured's ownership or occupancy of the insured premises.

(9) *Personal accident* a lump sum PA benefit is payable if the insured should die in a fire or at the hands of thieves.

(b) **Limitations and exclusions**

(i) *War, riot* and associated risks;

(ii) *Nuclear* risks;

(iii) *Consequential loss* (other than **(a) (7)** above);

(iv) *Unoccupancy*: Policies usually suspend cover (sometimes still covering fire and natural perils) if the premises are unoccupied for more than **60 days**;

(v) *Policy excesses*: Some perils (e.g. windstorm etc.) are likely to be subject to a specified excess, partly to eliminate trivial losses and partly to involve the insured in his own loss experience;

(vi) *Subject to average*: Property is expected to be insured for its full value. If underinsurance exists at the time of a loss, the insured is not fully covered. To the extent that underinsurance exists, the insurer is relieved of liability for a loss (always subject to the sum insured). For example, if at the time of the loss the sum insured represented only 80% of the value at risk, the claim payment would be limited to 80% of the loss (limited to the sum insured).

(c) **Premium basis**

Although a number of different types of risk are covered, the premium is usually based upon a rate percent (per $100) or per mille (per $1,000) applied to the value of the buildings and/or contents (different rates) insured. Most insurers follow this practice, although some insurers in Macau base the premium on the square feet area of the buildings concerned.

(d) **Other features**

Household insurance is not compulsory by statute. However, the vast majority of homes are subject to a mortgage loan and the lenders invariably insist that the buildings are insured to protect their interests. Thus, for practical purposes some form of household insurance is compulsory, which all adds to the significance of this very important element in the fire/property insurance portfolio.

3.2.2 Travel Insurance

With increased prosperity and higher standards of living, international travel is now commonplace for many in Macau. This has given rise to a demand for travel insurance, another "package" policy of many years standing.

(a) **Basic intentions and scope of cover**

The intentions are virtually self-explanatory, to meet unforeseen financial and other problems encountered whilst on holiday. Specifically, the cover provided is very diverse and is likely to include:

(i) *Medical expenses*: Private medical treatment in some countries, notably the United States and Canada, is very expensive. High limits of cover for necessary medical treatment incurred whilst on holiday are therefore given, sometimes amounting to several millions of dollars.

(ii) *PA benefits*: On a similar basis to PA covers already discussed.

(iii) *Luggage loss/damage*: On an "**all risks**" basis, this cover may cover the ultimate loss with an additional sum for emergency purchases as required.

(iv) *Loss of deposits*: In certain circumstances (death/illness of the insured or close relative), all or part of money payable for a holiday may be lost. The policy covers such losses.

(v) *Loss of money*: A limited amount of cover is available for money lost or stolen whilst on holiday.

(vi) *Delays*: A specified sum is payable in the event of inordinate delays of aircraft for time in excess of a stated period.

(vii) *Repatriation expenses*: The extra expenses involved with returning an injured insured, or his remains in the event of death on holiday.

(viii) *Public liability cover*: The legal responsibility of the insured towards third parties in respect of death, injury or property damage.

(ix) *Miscellaneous coverages*: A wide variety of cover and services may be found in this competitive class of business, including a benefit for **Hijack**, **consultation and advice** on an international "helpline", a daily **Hospitalization** benefit etc.

(b) **Limitations and exclusions**

(i) *Generally*: These will be in line with the various types of insurance offered, e.g. PA cover will be subject to the customary PA exclusions. Liability cover may not include liability arising from the use of motor vehicles etc.

(ii) *Excesses*: Most sections of the policy are likely to be subject to an excess, perhaps of $100 or more, mainly to eliminate trivial claims.

(c) **Premium basis**

Sometimes policy cover is offered as a "package" deal, where units of cover may be purchased. In other cases, individual covers and sums insured may be selected. In either case, the important elements in deciding the premium are:

(i) *Geographical area*: Many insurers offer three bands of cover, Macau and immediately neighbouring countries, Asia and World-Wide, obviously with increasing rates.

(ii) *Time element*: Premiums are usually quoted according to the number of days involved with the trip. Most companies quote on a band of days, e.g. not exceeding 3 days, 7 days, 14 days, 28 days etc.

(iii) *Persons covered*: Travel insurance is obviously related to family holidays. The insured's spouse and family or friends travelling with him may be offered advantageous overall rates.

(iv) *Annual policies*: For frequent travellers (business and/or holiday) an annual contract may be arranged at an attractive single premium.

(d) **Other features**

(i) *Underwriting*: A feature of this type of business is that everything is made as simple as possible, because cover is usually obtained at the last minute and a product which is not "user friendly" with this mass market is not likely to succeed. As a consequence, there is little individual underwriting of individual risks.

(ii) *"Master policies"*: It is quite common for "master policies" to be issued to travel agents, who arrange many "package" holidays. Individual customers merely receive a certificate outlining the basic provisions of the cover.

(iii) *Accumulation*: Although individual policy underwriting is very limited with travel insurance, the underwriter must be aware of the real danger of an accumulation of policyholders being involved in a single accident. A dramatic example would be the crash of a holiday charter flight with perhaps hundreds of fatalities. The accumulation of personal accident payments could be very significant. This is a very technical, but nevertheless important matter for the insurer, who will have contingency **reinsurance** plans for this.

3.2.3 Commercial Packages

The nature of such packages is that they are often individually tailored by a particular insurer and/or for a particular client. As such, detailed descriptions are not really feasible in these Study Notes. However, the existence of such covers and certain features may usefully be mentioned.

(a) *Combined Property and Pecuniary Insurances*

These tend to offer cover on an "**all risks**" basis, covering both the direct property loss and what the U.S. market calls the "**indirect property loss**", i.e. **consequential loss** or **business interruption** insurance (pecuniary insurance) under the same policy.

(b) *Combined Liability Insurances*

Typically, such policies include within a single document **Public Liability**, **Products Liability**. Individual clients may also require **Directors and Officers** and/or **Professional Liability** covers.

(c) *Combined "Umbrella" type covers*

These could include all types of covers, including **property, pecuniary** and **liability** risks. They are likely to be individually tailored to the requirements of specific (large company) insureds.

It is not feasible in these Notes to identify specific limitations or other features with such covers, as they are so individual. One common intention, however, is that the insured would look not only to the convenience of single-document cover, but would also expect aggregate savings in premiums.

3.3 PROPERTY AND PECUNIARY INSURANCE

To remind you, **property insurance** means that the subject matter consists of physical objects (buildings, ships etc.) and **pecuniary insurance** covers a non-tangible financial interest that may be threatened by an insured event (loss of future rent, income etc.).

3.3.1 Fire and Special Perils

Although combined and package policies are becoming more widely used, as discussed above, it remains true for Macau that the majority of commercial buildings and their contents are likely to be insured under a traditional fire insurance policy, with special (extra) perils almost certainly added.

(a) **Basic intentions and scope of cover**

This is virtually self-explanatory for this class of business, but specifically policies are likely to cover:

(i) *Fire* loss or damage: This may seem totally obvious, but some features need to be noted:

(1) **"Fire"** means actual ignition of something that should not be on fire, not deliberately caused or arranged by the insured (i.e. not fraudulent).

(2) "Fire" will include damage caused by smoke, water and heat, if the proximate cause is fire as understood above. Damage reasonably caused by the fire brigade or others fighting a fire is also covered.

(3) The fire does not have to be on the **insured's** premises. Thus, a fire as defined above in a neighbouring property could create a valid fire claim from heat, smoke or water damage etc. to the insured property.

(ii) *Lightning*: whether followed by fire or not.

(iii) *Explosion*: is actually an **excluded** peril under the basic fire policy, but the exclusion does not apply to damage arising from the explosion of gas being used for **domestic** (not commercial) purposes.

(iv) *Special perils*: also known as **extra perils**, **extraneous perils** or **extended perils**. These are perils (causes of loss) traditionally available for extra premium as additions to the standard fire policy. There are many such perils and the usual practice with insurers is to attach a complete list of available covers to each policy, which is appropriately annotated as to which of the extra perils apply. We shall not name all such perils, but a customary way of classification is to sub-divide them into perils:

(1) of **nature** (e.g. cyclone, earthquake etc.);

(2) of an **anti-social** nature (e.g. riot, malicious damage etc.);

(3) loosely described as of a "**chemical**" nature (e.g. explosion, spontaneous combustion etc.);

(4) of **miscellaneous** types (e.g. overflowing of water apparatus, impact damage from animals or vehicles etc.).

(b) **Limitations and exclusions**

(i) *Average*: The customary property insurance requirement for full insurance, with a penalty for under-insurance in the event of a claim, applies.

(ii) *Excesses*: It is not usual to have an excess in respect of the basic cover, but one may apply with certain of the **extra perils**.

(iii) *Policy exceptions*: The "standard" exclusions relating to war and nuclear events appear, with a number of others, often relating to perils which may be added as extras. It is not necessary for us to make a complete list of the policy limitations, but it should be noted that **Theft** during or after the occurrence of a fire is specifically excluded.

(c) **Premium basis**

As with most property insurances, the premium is a rate (per cent or per mille) applied to the sum insured. Properties are classified according to relative risk for rating purposes, with loading or discounting of premium as appropriate according to individual features.

(d) **Other features**

(i) The selection of appropriate **extra perils** is important for this class of business.

(ii) The need for an adequate **sum insured** is also important, because of **average**.

(iii) Because of the complex nature of fire risks and the considerable values at risk, it is very common for a **survey** (physical inspection) of the premises to be insured to be carried out by or on behalf of the insurer.

(iv) It is common for separate sums insured to be shown for:

(1) **buildings**;

(2) **stock in trade**;

(3) **goods on trust or commission**;

(4) **other contents**.

3.3.1a Business Interruption Insurance

This is a pecuniary insurance, separate from but very closely connected with fire insurance. Whereas fire insurance seeks to indemnify loss or damage to physical property, business interruption insurance seeks to compensate for the after-effects of fire etc. (loss of profit, extra expenses etc.).

(a) **Scope of cover**

(i) Loss of **Gross Profit** (as defined in the policy) caused by an insured peril.

(ii) **Additional expenses** necessarily and reasonably incurred as a result of an insured peril (e.g. hiring alternative premises).

(iii) **Wages** (sometimes included with **(i)** above) paid during an interruption period.

(b) **Limitations and exclusions**

Basically the policy is the same as a fire policy wording, i.e. it covers the same kind of perils, but two important features should be noted:

(i) **Property damage warranty**: If no valid property insurance claim covers the damage (usually a fire policy), no claim can be made under the business interruption (BI) policy. Otherwise, it can easily be seen that the interruption period is likely to be greatly extended.

Technically the property insurance need not be with the BI insurer, but no Macau insurer is likely to give BI cover without covering the fire risk.

(ii) **Policy specification**: A very important part of the BI policy are the definitions of **gross profit** (which has a different meaning from that normally used by accountants) and other terms applicable to the cover.

(c) Premium basis

The premium calculation is complex, but it begins by using the rate charged for insuring the **contents** of the building for **fire** insurance. This is then loaded according to the **time factor** involved with the cover (see below).

(d) **Other features**

These notes give a very abbreviated summary of a fairly complicated class of business, but the following should be noted:

(i) *Alternative names*: "Business interruption" is the most modern term for this class of business, but it may also be called "**Consequential Loss**" or "**Loss of Profits**".

(ii) *Time element*: With fire losses, the most important time is the date of the fire, since the amount of claim will be related to that. With BI insurance the loss is spread over a period after a fire etc. Clearly there must be a limit to this **"Interruption Period"**. The policy specifies the time limit during which losses may be covered. This may be as short as three months or much longer (even two or more years). The features of individual risks and their ability to return to normal business levels is vital in this area.

(iii) *Loss calculation*: This is a very complex matter, usually requiring the help of professional accountants. In essence, however, an attempt is made to measure the loss sustained during the **interruption period** by comparing income etc. during that period with the comparable period last year (when business was not interrupted), making any necessary **trend** adjustments.

3.3.2 "All Risks" Insurance

When this class of business was first introduced, it was thought to be very daring on the part of the insurers concerned. For the first time, accidental loss or damage, sometimes even without knowing the real cause, was covered. To remind you, "**all risks**" insurance means that all loss or damage is covered unless specifically **excluded**. And it is the legal responsibility of the **insurer** to prove that an exclusion applies.

(a) **Basic intentions and scope of cover**

The nature of the cover is described above. It will immediately be seen that the scope of cover is very wide. Originally, "all risks" cover was offered only in respect of individually specified articles of significant value, such as jewelry, furs etc. (in the early days, also limited to well-known and trusted clients). Competition and the development of the market led to the cover being provided much more freely on virtually any kind of property.

(b) **Limitations and exclusions**

The name "all risks" is usually expressed in inverted commas, to signify that not **all** risks are insured. There are exclusions, which are likely to include:

(i) *Inevitable loss*: Losses arising from **wear and tear, depreciation** etc. are only to be expected, and are therefore uninsurable.

(ii) Lack of routine care: Losses from the effects of light, vermin and atmospheric conditions are foreseeable and are either inevitable or should be prevented by reasonable precautions.

(iii) "Standard" exclusions: War and nuclear risks.

(iv) Unreasonable causes: It is not considered proper to insure losses deliberately caused by the insured or during illegal activities (including confiscation by customs or other authorities).

If the insurance includes **unspecified** items, cover is likely to be subject to **average**. Average does not always apply where each item has its own sum insured.

(c) **Premium basis**

This will invariably be based upon a rate applicable to the sum insured, with different rates according to the geographical area in which cover applies (world-wide cover naturally being the most expensive).

(d) **Other features**

(i) *Application*: "All risks" cover applies in many types of insurance. As a separate class of business, it is mainly concerned with **personal** property owned by individuals. However, commercial "all risks" cover on office contents and other property is becoming more common.

(ii) *Agreed values*: The original intention for "all risks" cover to insure valuable items is still important. With high-value items insured on this basis, **agreed value** cover is common (sum insured payable for total losses, without proof of value) subject to an initial independent professional valuation.

3.3.3 Theft Insurance

(a) **Basic intentions and scope of cover**

The intentions are virtually self-explanatory, to cover losses attributable to theft or attempts thereat. For domestic and personal risks such cover is likely to be provided by a household or "all risks" policy. **Theft** insurance is therefore largely confined to the insurance of **commercial** risks.

One important feature about the scope of the cover is that policies normally include damage caused by thieves, as well as actual loss by theft, with no separate premium calculation. Thus, cover for damage to the insured's property caused by thieves is given "free". The policy has no separate sum insured for such damage, cover normally being specified for stock and other specified contents.

(b) **Limitations and exclusions**

(i) *"Theft"* : The legal definition of theft is much wider than insurers are prepared to cover under their policies. Under policy terms, therefore, there must be some breaking down of the security defences of the insured premises. A customary limitation is that theft is only covered if accompanied by "**forcible and violent** entry to or exit from" the insured premises.

(ii) *Theft by staff*: Actual theft by staff is really a **fidelity guarantee** risk (see later) and is excluded. Theft with the **collusion** of staff members is also not insured.

(iii) *Fire damage*: It is not unknown for thieves to start a fire to destroy evidence of their theft. This can be seen to create complications both for the fire and theft insurer concerned, so damage by fire is excluded under the theft policy.

(iv) *Average*: Full value insurance is expected, so average will apply in any underinsurance situation.

(v) *Warranties*: It is quite common for these policies to be subject to warranties relating to valuable property. Examples include requirements for specific security devices (types of lock, iron bars etc.) and/or security measures (systems regarding keys, stock left in public view overnight etc.). Breach of such warranties invalidates cover.

(c) **Premium basis**

This will invariably be a rate applicable to the sum insured, varying with the attractiveness of the property to thieves.

(d) **Other features**

(i) *Extensions of cover*: Various extensions are available, including **Hold-up**, which insures risks accompanied by actual or the threat of violence, but where violence to the buildings security measures is not involved. Also, PA covers for staff may be included.

(ii) *Surveys*: These are frequently required, where substantial values or attractive stock is to be insured.

(iii) *"Target risks"*: Some goods are particularly attractive to thieves. Some are obviously in this category, such as gold and jewelry, furs and other high value/low bulk items. Some are rather more surprising. A few years ago in Macau, small pet dogs became very much a target for thieves, exporting them to the rising more-affluent members of society across the border. Target risks are likely to face more severe policy terms and premiums.

(iv) *Alternative title*: Originally, this class of business was known as **Burglary** insurance. Some insurers in Macau may still be using this title.

3.3.4 Glass Insurance

(a) **Basic intentions and scope of cover**

It is immediately obvious in Macau how glass has become a very fashionable building material. Such structures, particularly with very large areas and/or tinted glass involved, are very expensive. The need for separate insurance is therefore apparent.

The insurance is on an "**all risks**" basis, covering not only actual breakage of the glass insured but any attendant cost in required temporary boarding-up of the premises concerned.

(b) **Limitations and exclusions**

(i) *Fire risks*: Risks more traditionally covered under a fire policy, such as fire itself, storm and various extra perils associated with fire insurance, are excluded.

(ii) *Wear and tear etc.*: As is customary with "all risks" cover, losses attributable to the effect of time (in this case dilapidation of frames or framework) is excluded, as is scratching without actual breakage of the glass.

(iii) *"Standard" exclusion*: War and associated, and nuclear risks.

(iv) *Consequential loss*: Loss of business or other expense resulting from the breakage of insured glass is excluded.

(c) **Premium basis**

Clearly, the quality of the glass concerned has an influence on the premium, which is generally based on the area of glass insured.

(d) **Other features**

(i) *Replacement*: Claim settlements are frequently made by replacing the broken glass, rather than by a cash payment to the insured.

(ii) *Decoration etc.*: Commercial glass is frequently decorated with words or pictures. If such decoration is to be covered it needs to be specified in the policy, which otherwise will replace the glass only.

(iii) *Social disorder*: Glass in public places is particularly vulnerable in the event of any strikes, riots etc. Such perils are **excluded** by the glass policy, so enquiries should be made whether the policy can be extended to cover this loss or whether the fire policy should be so extended.

(iv) *Alternative title*: Originally, this class of business was known as **Plate Glass** (since it only covers fixed glass installations). Some insurers in Macau may still be using this title.

3.3.5 Money Insurance

This is another class of business which in earlier days was thought to be too hazardous to contemplate. Experience has proved otherwise and this is now commonly provided for a wide range of commercial organizations.

(a) **Basic intentions and scope of cover**

Originating from a class of business called **Cash in Transit**, the modern money policy covers various forms of money in various locations. Features to note are:

(i) *Cover*: is on an "**all risks**" basis. In addition to the loss of money, damage to safes and strongrooms etc. caused by thieves is usually covered.

(ii) *"Money"*: means much more than legal tender, extending to include cheques, bank drafts and other forms of financial documents.

(iii) *Location*: the original intention of covering **cash in transit** remains a major element of cover, but cover at other locations (including the homes of specified staff, as well as the insured's business premises) is also likely.

(b) **Limitations and exclusions**

(i) *Sums insured*: may have different limits, according to the location.

(ii) *Security*: it may be specified that money has to be kept in a safe or similar secure place, except for limited amounts and limited times. Money is required to be deposited with the bank as soon as possible.

(iii) *In transit*: still on the question of security, the policy may specify that money be transported only by male escorts (at least two with significant sums) and other instructions on the manner or route of transit may be given.

(iv) *Theft by staff*: or with the collusion of staff is a **fidelity** risk and is excluded.

(c) **Premium basis**

The premium is calculated by applying a rate to the annual carryings of money to and from the bank. As such, a **provisional** premium is payable, subject to **annual adjustment** when the final figures are known.

(d) **Other features**

(i) *Proof of loss*: The policy is "all risks", but the **amount** of loss is important and adequate records must be kept to establish loss figures (also in connection with the premium adjustment).

(ii) *Extensions*: It is quite common to provide a PA extension to these policies, covering injuries sustained by staff when assaulted by thieves.

3.3.6 Fidelity Guarantee Insurance

(a) **Basic intentions and scope of cover**

Perhaps the earliest form of **accident** insurance, fidelity guarantee is a **pecuniary** insurance, the primary intention being to indemnify an employee against thefts by his own staff. Features to note with the general scope of this class are:

(i) *Causes of loss*: The policy is to cover **dishonest** acts by guaranteed staff. It will therefore not apply to general errors and omissions.

(ii) *Staff covered*: Various forms of policy covers are available, the most common being:

(1) **Individual**: where a named person is insured for a specified amount.

(2) **Combined**: where a schedule of names (or positions) is given, either with separate sums insured, or with a floating sum insured (or a combination of the two).

(3) **Blanket**: where the policy covers all the insured's staff, usually with separate categories (inside/outside, handling/not handling cash) and separate sums insured.

(b) **Limitations and exclusions**

(i) *System of check*: and supervision are very important security issues. The approved system must not be varied without the consent of the insurer.

(ii) *Second chance*: employers are often very forgiving and sometimes allow persons who have defrauded them to continue in their employ. Any knowledge or reasonable suspicion about an employee must be reported to the insurer, who will suspend cover until he is satisfied otherwise.

(c) **Premium basis**

A rate is applied to the amount guaranteed, influenced considerably by the nature of the employment and other factors.

(d) **Other features**

(i) *A "guarantee"*: As far as the **employee** is concerned, the policy is a **guarantee**. As far as the **employer** is concerned, the policy is an insurance. The main difference is that the person guaranteed is liable in law to reimburse the **guarantor** (in this case the insurer) for payments the latter makes on account of his default. In practice, this may not be worth much.

(ii) *Default items*: Originally, these policies only covered defaults relating to **money**. It is now quite normal for the policy to respond in respect of defaults concerning **stock** as well.

(iii) *Alternative title*: Fidelity guarantee is very much involved with what is technically known as **suretyship** (standing surety or guarantor for another). U.S. companies traditionally called this class of business **Surety**.

3.3.7 Bonds

Most insurance contracts are **simple contracts**. This does not mean that they are necessarily uncomplicated, but they are easy to form and technically they do not normally have to be evidenced in writing (although they almost invariably are). **Bonds**, on the other hand, are very formal types of contract, not frequently met in insurance.

(a) **Basic intentions and scope of cover**

Bonds are a form of **guarantee** or **surety**. However, unlike fidelity guarantee policies, they are not also an insurance. The usual form of bond met in Macau is where the insurer acts as surety or **guarantor** to a construction company or some other commercial organization in respect of obligations towards the Macau Government (who becomes known as the **Employer**).

A typical example is where the Government contracts work for building roads or a school, but they will only grant the contract subject to a **Performance Bond**. This guarantees that if the work is not completed as per contract the bond is **forfeit** and the insurer pays the stated sum (known as the **penalty**) to the Government.

The insurer has rights of recovery against the contractor (for what that may be worth).

(b) **Limitations and exclusions**

Claims with bonds are simplicity itself. In fact, claims do not often arise, but when they do there are no arguments - the insurer pays, and he pays the full amount. None of the usual exclusions and provisos surrounding insurance contracts apply.

(c) Premium basis

The payment to the insurer is not usually called a premium, but a **fee**. It is a usually a **single payment**, as agreed with the contractor or other organization concerned.

(d) **Other features**

(i) *No renewals*: Normally, a bond is not subject to a renewal, although an extension of the designated time for the contract may arise. Technically, a renewal is not necessary because a bond never **expires**.

(ii) *Counter-guarantees*: Essentially, a bond is providing a financial service in providing the necessary backing to a contractor, for example, who wishes to fulfil a contract for Government. If the contractor concerned is not financially strong, the insurer may require **counter guarantees** from directors of the contractor personally, or others, to safeguard recovery prospects in the event of a claim.

(iii) *"Signed, sealed and delivered"*: A bond must be evidenced in writing and must be issued **under seal**. The classic phrase used with such contracts is that they must be "signed, sealed and delivered" and these words usually appear in the bond document. Bonds are usually issued from the **Fidelity** department of the insurer concerned.

3.4 ENGINEERING INSURANCE

Most of the insurances under this heading are technically complex and both underwriting and claims work associated with them are likely to need the technical help of suitably qualified experts. These Notes, therefore, will be more brief than for classes of business previously discussed. Only an outline knowledge of these covers is needed.

3.4.1 Boiler Explosion

(a) **Cover**

The name virtually tells us the basic intention of the cover, which is to insure against the results of an **explosion** or **collapse** of a boiler "*whilst in the course of ordinary working*". The cover usually consists of the following:

(i) *Property insurance*: for damage to the insured's actual boiler.
(ii) *Liability insurance*: for damage to third party property.
(iii) *Liability insurance*: for death or injury to third parties.

(b) **Exclusions/limitations**

(i) *Otherwise insurable* risks, such as fire and associated special perils.
(ii) *"Standard" exclusions*, such as war and associated risks.
(iii) *Inappropriate cover*, such as wilful neglect by the insured, wear and tear.

3.4.2 Machinery Breakdown

(a) **Cover**

Again, the name gives a clear impression of the cover provided, which is on an "**all risks**" basis relating to "*unforeseen and sudden*" physical loss or damage to insured items. It is thus a **property** insurance.

(b) **Exclusions/limitations**

(i) *Policy deductible*, which may be of a fairly significant amount.
(ii) *"Standard exclusions"*, such as war and associated risks, nuclear etc.
(iii) *Consequential loss*, arising because of the breakdown.

3.4.3 Contractors' All Risks

With enormous amounts of construction work of all kinds constantly going on in Macau, this is a very important class of business, involving a huge premium volume.

(a) **Cover**

The usual form of policy is in two Sections:

(i) **Section I**: provides **property** insurance on an "**all risks**" basis in respect of specified property, which is likely to include the **contract work**, **materials** supplied by the Principal, construction **plant and equipment** and construction **machinery**. **Clearing of debris** costs may also be included.

(ii) **Section II**: provides **liability** insurance for third party injury or property damage arising out of the construction work.

(b) **Exclusions/limitations**

(i) **Section I**: has the usual "all risks" exclusions. Other specific exclusions include **faulty design** and losses only discovered on taking an inventory.

(ii) **Section II**: excludes making good any work covered under Section I of the policy and various other perils, including **weakening of support** of other buildings (which cover can be added to the policy for extra premium).

(iv) **Deductibles**: are normal with such policies, varying in amount according to the peril concerned with Section I cover. Rather unusually, it is also the custom to have a deductible under the liability section of the policy.

3.4.4 Erection All Risks

This form of policy very closely follows the format and wording of Contractors' All Risks (see above). With the latter, however, the work involves the actual construction (making) of buildings etc. With erection all risks the basic components are normally not constructed on site, but are assembled and installed (e.g. bridge construction, powerful transmitters, large storage installations etc.).

3.5 LIABILITY INSURANCE

Several of the products we have already considered contain policy divisions giving third party, or liability, cover. Those in this section, however, are exclusively third party covers. The liability for respective covers may arise from Statute (the provisions of a Government Ordinance) and in Civil Code (usually negligence). Liability at law can also arise under Contract, but this effectively the voluntary assumption of liability, or liability assumed under an agreement. This is usually specifically excluded from liability covers.

3.5.1 Public Liability (PL)

In a sense, all liability policies are "public liability" covers, since members of the public constitute the claimants and the basic intentions of the insurance are to indemnify the insured against such claims. However, the specific term "**Public Liability**", when referring to a class of business, normally means an insurance protecting a commercial or other organization against claims from **non-employees** in respect of injury or property damage for which they claim the insured is legally responsible.

(a) **Basic intention and scope of cover**

This, as indicated above, is to cover the insured's **legal liability** (sometimes expressed as "liability at law") in respect of accidents occurring **during** the policy year. Claims may arise later (sometimes years later), but they are still covered, provided the insured satisfies notification requirements in the policy.
Normally the policy will cover both injury and property damage claims. It also covers **legal expenses**, both of the insured in defending or resisting such claims and those of the successful third party. The policy is usually subject to a limit of liability cover, which applies for any one claim (and sometimes for any one year). Legal costs are usually not subject to a separate policy limit, but are payable in addition to compensation limits.

(b) **Limitations and exclusions**

(i) *Geographical*: Accidents occurring outside a specific geographical area are not covered. Also, claims are restricted to those subject to the legal jurisdiction of Macau SAR.

(ii) Other policies: Other policies may insure liability risks. To avoid overlap and confusion, such claims (e.g. motor, EC, products liability, professional advice, etc.) are excluded.

(iii) Contractual liability (or liability assumed under an agreement) is excluded.

(iv) "Standard" exclusions of war and nuclear risks.

(c) **Premium basis**

The premium is almost certainly **adjustable**, i.e. based upon a variable factor, such as **wages** or **turnover**. Thus, a provisional premium is paid initially, adjusted to the correct amount when final figures are available. Obviously, the rate charged will reflect the potential risk from third party claimants, according to the occupation of the insured.

(d) Other features

(i) *"Long-tail" business*: All liability insurance, is long-tail in nature, i.e. claims may arise and develop over a long period of time, so it is necessary to keep files and reserves open for much longer than with "**short-tail**" business, such as property insurances generally.

(ii) *"Claims-made" cover*: Such policies limit cover to claims actually **made** upon the insured during the currency of the policy, or a specified limited period thereafter (see also comments in **3.5.2** and **3.5.3** below). Whilst not unknown, this form of cover is not common with PL insurances, which are usually on a "**claims-occurring**" basis. (see below).

3.5.2 Products Liability

This is really a public liability policy, but with cover specifically related to claims arising from **defective** products, as opposed to general liability situations, where negligent acts or omissions of any kind may produce claims.

The Notes for this are not long, because the basic cover and wordings follows the PL policy very closely. However, one or two special features should be noted:

(a) *"Defective" products*: It is important to note that the products which involve a valid claim must not be in the form that the manufacturer or producer intended to market them. That is, some mistake or defect has occurred, such as an error in manufacture, producing a dangerous situation. Products which are not safe when they are properly manufactured are a problem for the manufacturer or designer, not the products insurer.

(b) *Policy limit*: The limit of indemnity may be on an **aggregate** basis, so that early claims reduce cover available for the rest of the year unless additional cover is purchased.

(c) *"Dangerous" markets*: Some parts of the world are notoriously claims-conscious, especially the U.S. and North America generally. Supplying products to these markets is fraught with risk and cover may be expensive or difficult to obtain.

(d) "Claims-made" policies: These are described above and are slightly more likely with products policies, although again not common. The basic idea of restricting claims to the policy year, or shortly thereafter "shortens the tail" considerably and is therefore attractive to the insurer. Whether the insured will be happy for his cover to expire, so that he may be uninsured when a claim develops late is another matter. Such policies may be difficult to market.

3.5.3 Professional Indemnity (PI) Insurance

This cover, again, is very similar to the format and wording of a PL policy, but cover is intended to protect a particular class of insured. Third party policies generally protect any kind of organization. PI policies are intended for "**professional**" people, such as lawyers, doctors, accountants, architects and the like. The cover is therefore intended to protect against mistakes in professional acts and omissions, including defective advice.

This is a specialized class of business, requiring high expertise to run successfully. It may be known by other names, such as **D & O** ("Directors and Officers") or (when related to medical professionals) **Medical Malpractice**. International exposures may again raise the issue of claims-conscious cultures. These policies are the ones most likely to be issued on a **Claims-made** basis.

Note: It will be remembered that **insurance brokers** who wish to practice in Macau are required to carry PI cover, to protect their clients, before they can be registered and do business here. Moreover, travel agencies in Macau are also required to effect "Professional Liability Insurance for Travel Agents" to protect their clients against mistakes in professional acts and omissions of the travel agents.

3.6 MARINE INSURANCE

Perhaps the most ancient class of business, marine insurance is really a profession in its own right, with terminology at times quite different from all other types of insurance. Without trying to give a comprehensive summary, we should mention one or two points about marine insurance before we look at some different forms of cover.

(a) **Average**: This has a completely different meaning in marine insurance. When we have referred to a policy being "subject to average", in earlier notes, this means that full insurance is required and that there is a claims penalty according to the degree of any under-insurance. In marine insurance "average" means **partial** (i.e. non-total) **loss**. The word "average" is not used alone, however, and there are two kinds of average in marine insurance:

(i) *Particular Average*: This is "average" (partial, not total, loss) affecting a particular type of insurance, e.g. **hull** (the ship) or **cargo**.

(ii) General Average: This is partial loss of a whole venture (i.e. the combined interests represented with a ship's voyage, especially including the vessel itself and cargo being carried on the vessel). The term is very ancient, in fact it is thousands of years old. It has a special meaning which we may summarize as follows:

(1) The loss must be **deliberate**, in the nature of a **sacrifice** by one for the good of the remainder (e.g. throwing heavy cargo overboard in dangerous situations to save the ship and everyone on board).

(2) The sacrifice must achieve its purpose, i.e. the venture as a whole must be **saved**.

(3) All interests involved in the venture (including that of the owner of goods sacrificed) **share** in the loss, so that the "**average**" sustained by the individual owner is shared "**generally**" (amongst all).

Note: 1 General average may also involve **expenses** incurred with the same object as with goods which are sacrificed.

2 It is customary for "general average" contributions to be covered by marine insurance policies. "Particular average" is also usually insured, although "**total loss only**" (TLO) policies are possible.

(b) **Liability Insurance**: By custom, liability insurance is not normally included within marine insurance policies on commercial risks. There is an exception which we shall mention later, but in most cases the liability risk is insured with **Protection and Indemnity Associations** (known as **P & I Clubs**). These are effectively self-insurance schemes run on behalf of shipowners, run on a **mutual** basis (another name for such organizations is **Mutual Indemnity Associations**).

(c) **Institute Clauses**: Commercial marine insurances in Macau mostly use these Clauses with their policy wordings. **Institute** (the Institute of London Underwriters, or **ILU**) **Clauses** are renown throughout the international marine insurance world and form a recognized and well-tested contract wording, in the form of numbered **clauses**. These forms of cover are accepted almost universally by insurers, banks and insured organizations.

(d) **Salvage**: With non-marine insurances, the word "**salvage**" refers to any residual value in what is left of the subject matter (e.g. scrap value of a badly damaged vehicle). In marine insurance the term refers to a **fee** or **reward** payable to a person or organization which rescues a vessel or other property in danger. It is the custom for such **salvage** to be insured with marine policies.

3.6.1 Hull Insurances

(a) **Basic intentions and scope of cover**

(i) *"Hull"*: The **hull** of a vessel is the main body, or shell. "Hull" insurance, however, covers more than that. The insurance is almost exclusively a **property** insurance and the term includes the whole of the ship and everything on it belonging to the owners (e.g. including equipment, stores, fuel for propelling the vessel, safety boats etc.).

(ii) *Type of cover*:

(1) **Loss/damage**: Institute Hull Clauses normally provide cover on a **specified perils** basis (**perils of the sea**, **fire** and a number of other causes).

(2) **General Average and Salvage**: are covered, as defined above.

(3) **Collision Liability**: This forms the exception mentioned above, whereby some liability cover is given. However, this only applies to liability arising from **collision** with another vessel and only **75%** (always expressed as **3/4ths**) of such liability is covered by the policy. The other **25%** of such liability, with all other shipowner's

liabilities, are covered with a **P & I Club**.

(4) **Sue and Labour**: This curious expression refers to reasonable expenses incurred in times of difficulty to allow the ship to continue and complete its voyage. Such expenses are covered.

(b) **Limitations and exclusions**

(i) *"Standard" exclusions* of war, nuclear and associated risks apply but with marine insurance, it is interesting to note that separate **War Risks** insurance can be purchased (either separately, or added to the hull policy). This is very much an exception to normal practice with other classes of business.

(ii) *Deductible* Policies are usually subject to a deductible for **particular average** claims. However, with all types of **total losses** (see below) the deductible does not apply. Again, this is quite different from the practice with other classes of insurance.

(c) **Premium basis**

With marine insurance, the premium is a matter which heavily depends upon the claims experience of the individual insured (or **assured** as he is known in marine business). Very different premiums could be payable in respect of the same vessel, under different ownerships.

(d) **Other features**

(i) *New for old*: Claim settlements do not take into account any deduction for wear and tear, or depreciation. Marine policies are therefore said to grant an **indemnity** "in manner and to the extent" agreed, rather than in the classic form of value of the loss at the time of the loss.

(ii) *Constructive total loss*: In addition to an **actual total loss**, which term is virtually self-explanatory, it is common in marine insurance for property to be declared as **constructive total loss**. This means it is treated and paid for as with an actual total loss, because although it may be technically repairable costs are likely to make this uneconomic. (Such a term is not unknown in other classes, e.g. motor insurance.)

Note: We should repeat that these notes are not comprehensive, especially with a complex subject such as marine insurances. They are, however, sufficient for our immediate purposes.

3.6.2 Cargo Insurances

(a) **Basic intentions and scope of cover**

Cargo being goods carried for reward on a vessel, the insurance of them is clearly a

property insurance, usually in the form of a set of Institute Cargo Clauses (**ICC**). Such cargo clauses are:

(i) *ICC (A)*: The cover under **(A) Clauses** is on an "**All Risks**" basis and is sometimes the only form acceptable to banks who are advancing money or giving guarantees in respect of cargo shipments.

(ii) *ICC (B)*: **(B) Clauses** are on a **specified risks** basis (see **(e)** below).

(iii) *ICC (C)*: **(C) Clauses** also cover **specified risks**, but fewer risks are specified (see **(e)** below).

Major comments concern **ICC(A)** cover, which is the most common form issued. Cover under (A) Clauses is "all risks", as mentioned. Thus, any form of loss or damage is covered unless specifically **excluded**. Cover is sometimes described as being on a "**Warehouse to Warehouse**" basis, so that the cargo is covered from the time it leaves the sender's premises until it reaches final storage destination. This very frequently will involve **land and sea** transit.

General average and **salvage charges** are insured, as well as loss of or damage to the specified cargo.

(b) **Limitations and exclusions**

Being cover on an "all risks" basis, there are a number of exclusions. Without specifying the full list, the following examples should be noted :

(i) *Wilful misconduct* of the assured.

(ii) *Expected losses*, such as wear and tear, and ordinary leakage losses etc.

(iii) *Inadequate packing*, bearing in mind the journey and nature of the cargo.

(iv) *Inherent vice*, that is, damage arising from the cargo itself (e.g. meat or fish which goes bad, wine which turns sour etc.).

(v) *Unseaworthiness* of the vessel, of which the assured is aware.

(vi) *War, strikes etc.*, which are, nevertheless, insurable for extra premium.

(c) **Premium basis**

As with hull policies, the identity and record of the assured has an important bearing upon the premium charged, which is normally as a rate per cent on the value insured.

(d) **Other features**

(i) *Valued policies*: The indemnity provided is "in manner and to the extent agreed", so **total losses** involve the payment of the sum insured (indeed partial losses, "particular average", is also paid proportional to the sum insured). Although **wear and tear** is excluded as a **cause** of loss, valid claims are not subject to any deduction under this heading.

(ii) *Claims enquiries*: Marine insurance claims of any kind are likely to require a **surveyor's report**, so that independent verification of loss etc. is obtained.

(e) **Clauses "B" and "C"**

These (see **(a)** above) are not on an "**all risks**" basis. Neither set covers the **theft** risk. In addition to **General Average sacrifice**, **"B"** Clauses include the following perils:

(i) **major casualties** (e.g. fire, stranding, sinking, collision etc.);

(ii) **earthquake**, **volcanic eruption** and **lightning**;

(iii) **discharge** of cargo at a **port of distress**;

(iv) **jettison** and **washing overboard**;

(v) entry of sea, lake or river **water**;

(vi) **total loss** (only) of any package whilst **loading** or **unloading**.

"C" Clauses are more limited, relating mostly to **major casualties** cover.

The **exclusions** with both sets are the same, being very similar to those in **"A"** Clauses, except that the deliberate or wrongful act of **any person** is also excluded.

3.6.3 Pleasure Craft Insurance

Many such craft are insured under a policy not unlike the private motor policy in format (covering both **property** and **liability** risks). The applicable ILU **Yacht Clauses** will include the following features:

(a) *Specified perils cover*: The perils specified begin with **perils of the seas** and lists a whole series of common mishaps affecting such craft. The list, however, is not long enough to constitute "**all risks**" cover.

(b) *Exclusions*: are fairly numerous and detailed. We may note just a few, by way of example:

(i) **Outboard motors** dropping off or falling overboard.
(ii) **Speed limit** limited to 17 knots (craft capable greater speeds than that are **speedboats**, requiring quite different contract terms).

(iii) **Personal effects** of any kind.

(iv) **Consumable stores** and fishing gear etc.

(v) **Ship's boat** if it is not marked with the parent boat's name.

(c) *Liability cover*: unlike commercial shipping cover under this heading, the policy provides full third party insurance, covering liability for **personal injury**, **property damage** and **legal costs**.

(d) *Deductible*: the provisions are similar to those with commercial vessels, the deductible not applying to **total loss** claims.

(e) *Claim settlements*: are usually on a **new for old** basis, except that up to **one third** deduction may be made for depreciation etc. on certain items (e.g. sails and outboard motors).

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4 CLAIMS

4.1 VALID CLAIMS

For a claim to be valid, it must satisfy a number of requirements (see **4.1.1** below). The great majority of claims made under general insurance policies, however, are quite valid. Indeed, public acceptance and the overall effectiveness of general insurance require this to be so. A major purpose of insurance is to provide **help** in various kinds of trouble. That purpose is frustrated if a disproportionate number of claims are **invalid**.

Given this premise, we should note the following:

(a) *Claims are the insurer's "shop window"*: the public opinion of an insurer may easily be ruined if its claims handling is perceived to be **unfair**, **unreasonable** or **unduly slow**. Within reason, the payment of claims are the insurer's best form of advertising.

(b) *Claims should not be refused lightly*: refusing a claim is a serious matter. Good insurance practice often means that a claim is never rejected, except with the confirmation of a **senior** member of the insurer's staff.

(c) *Confidence of our customers*: an insured should never be embarrassed or afraid to make a claim. The possibility of a claim is why he paid his premium. Of course he must act **honestly** and **reasonably**, but making a claim is his contractual **right**. The insurer (and **intermediary**) should therefore always be helpful and sympathetic if a claim situation arises.

4.1.1 Legal Requirements for Valid Claims

A valid claim is one which meets all **contractual** and **other** legal requirements. In practice, from the insured's perspective, what seems to happen in the great majority of cases is that a loss arises, he tells the insurer and with relatively few formalities he receives payment under the policy. Sometimes, of course it is more complex, but in fact in **every** case a considerable number of **criteria** must be satisfied. We may consider these under no less than **ten** different headings:

(a) *Fraud by or on behalf of the insured*: whether the policy has any reference to this or not, **fraud** (in any form) can defeat the claim, and indeed the whole contract.

(b) *Policy must be in force*: the usual requirement is that the circumstances relating to the claim must **occur** between the policy commencement and termination dates.

(c) *Premium considerations*: if payment of the premium is a pre-requisite of cover, as with some policies or during **days of grace**, this must be complied with.

(d) *Peril considerations*: is the **cause** of loss covered by the policy? It is for the **insured** to prove that a loss falls within the **Operative Clause**. This is not difficult with "**all risks**" insurance, but may be significant with "**specified perils**" cover.

(e) *Policy exclusions*: the **Operative Clause** or cover under the policy generally may be **limited** by specific or general **exclusions**. Normally it is the **insurer's** responsibility to prove that an exclusion applies.

(f) *Implied and express conditions*: is the insured in breach of an **implied** condition, the most important of these being **insurable interest** and **utmost good faith**? In connection with the latter, especially, information given during the claim enquiries should be compared with information supplied with the **proposal**. Sometimes there are surprising inconsistencies.

Regarding **express** conditions, policies have some which apply to claims' procedures. These we look at in **4.1.3** below, but all must be complied with.

(g) *Applicable warranties*: if the policy is subject to a **warranty**, has this been **breached**? In good insurance practice, the question really should be "was any breach of warranty a **causal effect** or otherwise significant with the present claim"?

(h) *Excess or franchise*: if the policy is subject to either of these, is the **amount** of the loss sufficient to involve the insurer's liability?

(i) *Quantum* (amount of the claim): it is the **insured's** legal responsibility to prove the **amount** of the loss (see also **4.1.5**).

(j) *Public policy*: in addition to all the above **contractual** or other legal considerations, the "**unwritten condition**" of **public policy** could conceivably be relevant, invalidating a claim (see **1.3.5(d)**).

4.1.2 Invalid Claims

Essentially, an invalid claim is one that does not satisfy all the criteria in **4.1.1** above. Those criteria represent **contractual** or **insurance contract law** provisions. Some further comments, however, are appropriate under this heading:

(a) *Reasonable flexibility*: it must not be assumed that insurer's are constantly looking for ways to "**escape**" from claims. The above points are all legally sound and the professional insurance claims person will be aware of them, but the overriding consideration will be to have a **satisfied** claimant (**especially** our own policyholder) where reasonably possible.

(b) Generous interpretation: an old claims' maxim with reputable insurers is "pay the good ones immediately, be as generous as possible with the doubtful ones, and resist the bad ones firmly". This is a good guideline when thinking about invalid claims.

(c) Ex gratia considerations: the possibility of an ex gratia payment (one without legal obligation) is always an option, in doubtful cases or where real hardship may otherwise be caused.

(d) Firmness with fairness: notwithstanding the above, if a claim is definitely not covered, in normal circumstances it should be politely but firmly declined. Good practice should mean that a reasonable explanation be offered. This is not only basic courtesy, it may also avoid unnecessary and expensive future legal action.

4.1.3 Operation of Policy Conditions Affecting Claims

Different classes of General Insurance may well have specific claims' requirements, but in broad terms the following are likely to be among the policy conditions concerned:

(a) Notification to the insurer: instructions are always given as to the manner (in writing, to the Head or Branch Office etc.) in which notice of a possible claim should be given.

(b) "Possible" claim notification: it is worth stressing that a possible claim incident should be notified. With property insurances, this is seldom a problem, but with liability insurances the insured sometimes waits for a third party to make a definite claim before telling his insurer. This is a breach of policy conditions.

(c) Time for claims notification: policies usually require notice to be given immediately, or as soon as practicable (in some cases an actual time limit may be mentioned). The reasons for this are obvious. Delay in investigating losses (especially liability claims) may be very detrimental to the insurer's interests.

(d) Duties upon the Insured: see 4.1.4 below.

(e) Resolution of disputes: see 4.2.1 below.

4.1.4 Duties of Insured after a Loss

These may be considered under the **Commercial Code**, or in accordance with **contractual** (policy) provisions. The insured's duties will include:

(a) reasonable **cooperation** with the insurer;

(b) a duty to **minimize loss** as far as is reasonably possible;

(c) not to jeopardize the **insurer's rights** (e.g. **salvage** or **subrogation**);

(d) absence of **fraud** (in any form).

Policy requirements relating to the duties of an insured after a loss will include:

(a) *Reasonable proof of a valid claim*: this heading will embrace:

(i) **liability** of the insurer, i.e. reasonable proof that the loss falls within the cover outlined in the **Operative Clause**. In **theft** insurance, for example, reasonable evidence of **forcible and violent** entry/exit will be required etc.;

(ii) **quantum** (i.e. the **amount** of the claim. This again is the insured's responsibility (see also **4.1.5** below).

(b) *Preservation of damaged property*: specifically, the insured must **not** dispose of damaged property without the insurer's permission. He must also take **reasonable** care of damaged property to avoid further loss (protection against **theft**, cleaning and lubricating wet machinery after a fire etc.).

(c) Cooperation with the insurer: this includes the basic response to reasonable requests for information, allowing access to staff and premises for enquiries to be made, and actively assisting with subrogation efforts, as necessary.

(d) Not to compromise the insurer: by admitting liability to third parties, or by prejudicing subrogation rights in any way.

(e) Disclosure of any other insurances: to assist with contribution or other interests of the insurer. Explanations of "double-insurance" situations may be required.

4.1.5 Documentary Evidence

This may take various forms, and could be the responsibility (with the **cost**) of either the **insured** or **insurer**. Specifically, the following should be noted:

(a) *Receipts and other proof of quantum*: these will invariably be the responsibility of the **insured** and at his expense. Theoretically, receipts will always be required, but insurers should adopt a **realistic** and **reasonable** approach. Receipts may reasonably be expected to substantiate a **commercial** loss, but may well be the exception for relatively minor **personal** claims.

(b) Contractually required documents: commercial insurances (e.g. fire, theft and consequential loss) will invariably require adequate records to be maintained, so that a loss may be verified. Insurers are likely to insist upon these.

(c) Marine insurance claims: documentation with such claims is very important. It will include such items as a survey report, the original policy, the bill of lading and perhaps other documents of title.

(d) Medical evidence: to support claims for incapacity (PA) medical reports will be needed. These will be at the insured's expense. Reports with EC business will be paid for by the insurer, as will any post mortem examination reports (establishing the cause of death).

(e) Witness and Police Reports etc.: normally the insurer attends to these.

4.1.6 Functions of Various Related Professionals

During the course of claims enquiries, technical issues may arise where **special expertise** may be required. Additionally, insurers sometimes do not have sufficient staff available to investigate all claims. In these cases, the services of one or more of the following specialized professionals may be engaged:

(a) **Surveyors**

Surveys are an important part of **underwriting**, of course, but in the context of claims **surveyors** will mostly be concerned with marine losses. Nearly all marine claims will require a surveyor's **report**. This will take the form of an independent investigation into the cause and extent of a reported loss.

Marine policies normally indicate that a surveyor's report will be needed. Frequently, the local **Lloyd's agent** (a representative approved by Lloyd's of London and found in nearly all major ports worldwide) will be so instructed, especially for **cargo** claims. The surveyor, naturally, charges a fee, but this is recoverable from the insurer with valid claims.

(b) **Loss Adjusters**

These are specialists in insurance claims investigations and negotiated settlements. Points to note with loss adjusters include:

(i) *most common engagement*: they may be engaged with virtually any kind of claim, but they are especially employed with **property** (**fire** or **theft**) losses and **liability** claims. Their expertise is particularly valued with **large** or **complex** claims, although some insurers may "outsource" nearly all of their claims to adjusters;

(ii) independent experts: although normally engaged and paid by the insurer, technically loss adjusters are independent experts, offering impartial advice and services;

(iii) fees and remuneration: these may be based on a scale according to the amount of the claim settlement agreed, or separately negotiated;

(iv) settlement recommendations: their reports will include comment on the circumstances of the loss, the liability or otherwise of the insurer, and eventually upon the negotiated settlement. However, the settlement is subject to the insurer's agreement. (In practice, the insurer invariably accepts.)

(c) **Engineers**

Sometimes highly technical issues are involved, with **Engineering**, **Contractors' All Risks** or indeed **Liability** policies, where the expertise of qualified engineers is essential. The advice they give may be related to the **cause** of losses, or other issues requiring specialist knowledge.

They are invariably engaged on a **consultancy** basis, paid by the **insurer** at an agreed **fee** or rate.

(d) **Settling Agents**

These are individuals or companies named on **marine cargo** policies (especially), who have the underwriters authority to investigate and settle claims. The insured (**assured** in marine insurance) may then notify the settling agent concerned, when a loss has been discovered.

Sometimes the policy will not named a particular agent, but will specify (or add as an alternative) that the claim be referred to the "nearest Lloyd's agent".

(e) **Survey Agents**

Another professional involved especially with **marine** claims. The survey agent may be named in the policy, as an individual or company who can assist in arranging surveys, or be independently appointed.

Surveys with marine claims are very important. Except for very minor claims, it is almost certain that marine claims will not be completed without an independent survey. This is a particular feature which is not found to anything like the same extent with other classes of General Insurance. With other classes, the insurer's own staff frequently deal with claims direct, but where outside help is needed **Loss Adjusters** are more commonly used (see **(b)** above).

The main difference between the appointed of surveyors and the appointment of loss adjusters is that the insurer normally appoints the latter, but surveyors are appointed and at least initially paid for by the insured (assured)

(f) **Average Adjusters**

These experts are found with **Marine** insurance claims. More specifically, they specialize in **General Average** (GA) claims (see **3.6(a)**). This is an extremely complex area of claims' work, requiring considerable experience and expertise. Bearing in mind the usual circumstances under which GA claims may arise, adjusting them must take into account a number of important factors, including:

(i) *Detailed legal knowledge*: the international law of the sea and of various individual countries may be critical.

(ii) Large number of interests: sometimes the number of GA collections necessary will run into many hundreds (imagine all the different cargo owners who may be called upon for GA contributions if a large container ship incurs GA sacrifice or expenditure).

(iii) Long term investigations: the completion of GA claims collections and apportionments usually take years, rather than weeks or months, to settle. This requires patient and methodical work, where experience is essential.

Because of their special expertise, **average adjusters** may also be used with **hull** and with especially complicated **cargo** losses.

4.2 CLAIMS SETTLEMENT

4.2.1 Operation of Arbitration Clauses

Sometimes a claim proves difficult to settle and a disputes arises between the **insured** and the **insurer**. Of course, disputes may also arise between the insurer and **third party** claimants, but the latter are not parties to the insurance contract and cannot be bound by **arbitration clauses.**

These clauses are there to provide an alternative to **litigation** (formal court action) in resolving disputes. The following features of **arbitration** and its relevant policy condition should be noted:

(a) *Less formal than litigation*: whilst arbitration is conducted in a formal manner, cases are not heard in court and it is not even essential that **legally qualified** persons represent the parties or decide the issues.

(b) *Not binding upon third parties*: as stated above, third parties are not parties to the insurance contract, so they cannot be bound by contractual provisions.

(c) *Usually applies to quantum only*: the two elements which could be involved with a claim dispute are **liability** (is the insurer responsible under the policy?) and **quantum** (how much is payable under the policy?). Arbitration clauses normally contain words such as "liability otherwise being admitted". In other words, the dispute does **not** relate to the question of liability, but only the **amount** payable by the insurer.

Note: Because of the above two points, arbitration clauses may not appear in **liability** policies (where the claimant is usually a **third party**), nor in PA policies, where the claim **amount** is usually pre-determined in the policy.

(d) *Customary basic procedure*: the condition usually requires that the disputing parties appoint **one** independent arbitrator. If they cannot agree on a single arbitrator, **each** party appoints an arbitrator. These arbitrators in turn appoint an **umpire** (third arbitrator). The latter sits in on discussions, but only gives a decision if there is no agreement between the two arbitrators. Costs normally are payable by the unsuccessful party, but are at the discretion of the arbitrators and/or umpire.

(e) *Litigation may still be possible*: if a person is unhappy with an arbitration award, **litigation** may still be possible. **However**, and this is very important, courts will **not** overrule a properly conducted arbitrations, unless there was a clear **mistake** in law or there is proof of **bias** against the plaintiff.

4.2.2 Methods of Settlement

A valid claim may be settled in a number of ways, by mutual agreement or in accordance with policy provisions. The actual method used may well depend on whether an **indemnity** or a **policy benefit** is being provided. The different methods and comments thereon are as follows:

(a) **Payment of Money**

Payment with cash (almost invariably by cheque) is by far the most common method of claims settlement. Indeed, in some cases it is the **only** way (e.g. **PA** benefits to the insured, settlement of injury and financial loss claims with **third parties** etc.). In many ways it is the most satisfactory from everybody's point of view, forming a neat and final conclusion to the claim process, leaving the payee with the choice of how to use the money.

In the absence of specific policy conditions, there would have to be **mutual** consent for a settlement based on anything but money. Policy wordings with **property** insurances promising an **indemnity**, however, do allow various options for providing the indemnity, at the **insurer's** option. These we consider in **(b) - (d)** below.

(b) Paying for Repairs Direct

With non-total loss claims in some classes of business (especially **motor**) the customary way of providing indemnity is for the insurer to pay the **repairer**. Care has to be taken that the repairer is reputable, or suggested by the insured/third party personally, so that embarrassment over the quality of the repairs is avoided as far as possible. But a satisfactory repair is usually satisfactory and quite normal.

An additional factor with **motor** claims involving damage to the insured's vehicle is that payment of repairs by a reputable garage avoids two problems, i.e. cash being paid against an "inflated" repair estimate, and payment by cash where the insured does not have the vehicle repaired (perhaps leaving it in a dangerous condition) or he has it done badly by a much cheaper and less reputable repairer, pocketing the difference.

(c) Replacement

This is another option allowed by most **property** insurance policy wordings (it would have to be agreed with any third party claim, as the third party is not bound by policy terms). It is not always appropriate to consider replacement, as the question of **depreciation** is not an easy one to agree. However, there are instances where this method is suitable, including:

(i) *items not subject to depreciation*: the value of some items does not go down, at least not rapidly, and these may well be replaced to the satisfaction of both parties, e.g. jewelry, expensive watches etc.;

(ii) *new or virtually new items*: theoretically the value of most items depreciate as soon as they are purchased, but it is difficult to persuade an insured on this point when loss or destruction is almost immediate. Within a reasonable period, therefore, replacement of such items (cameras, cars etc.) is relatively commonplace;

(iii) *glass insurance claims*: replacement is the **norm** for this type of claim. The speed and convenience of an efficient broken glass replacement is satisfactory to all concerned.

(d) Reinstatement

This is a word that has a number of meanings in insurance. In the context of claims settlement methods, it effectively means **rebuilding** (or repairing/restoring) damaged buildings, especially in **fire** insurance. There are some legal circumstances where the insurer may be compelled to provide **reinstatement**. As with replacement and repair, reinstatement is not without potential problems, where real or imagined complaints arise as to the quality of the replacement or work done. However, this form of settlement is quite common with **damaged buildings**.

It may also be appropriate where the insured has a totally unrealistic opinion of the value of his damaged building and the insurer is quite positive that rebuilding will be much cheaper.

Note: 1 Under some **fire** and other **property** insurance policies, the word **reinstatement** may be used to include **replacement** of a machine etc.

2 The **option** as to the method of providing an indemnity to the insured is with the **insurer**. But, remembering the desire to have a **satisfied** customer, it will be rare to force a method of settlement upon the insured which he does not prefer.

3 One further aspect, with the **replacement** option, is that insurer's may often obtain a discount from the supplier of such item. This could represent a good saving in the claim settlement.

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5 CUSTOMER SERVICE

Insurance is part of **financial services**. With increased competitiveness and growing **consumer awareness**, the concept of "**service**" is gaining an ever-increasing significance. The realization that service is not only good business, but the legitimate expectation of customers, may be seen from three perspectives:

(a) *In-house (individual companies)*: more and more companies are producing guidelines and policy statements on this important issue, for the instruction of their **staff** and information of their **customers**.

(b) *The insurance industry*: central associations of insurers and/or intermediaries have appreciated the importance of public declarations and codes of practice in this area, to raise public confidence in the industry.

(c) *Government*: all governments are under a duty to protect the welfare of their citizens. Seeing that they get fairly treated is such an important matter as insurance is an issue of high profile. Cooperation with, and as necessary the regulation of, the insurance industry in various aspects of customer service, is important.

Specific considerations for this very high-profile subject were studied in detail in "**Principles and Practice of Insurance**". The following Notes are therefore by way of revision and reminder.

5.1 CUSTOMER SERVICE AND ITS IMPORTANCE

The bad insurer and staff may adopt a "take it or leave it" approach to customers. This is not only creating a bad image for the industry as a whole, it is also very short-sighted on the part of the insurer concerned. Customer service is no longer an **option** (i.e. only a matter of opinion and personal preference). If the insurer does not address this issue and ever seek to improve the service provided, the results will almost certainly include:

(a) *Loss of business*: the public is increasingly aware of its perceived rights. These include courteous and efficient service.

(b) *Loss of intermediary support*: intermediaries must have confidence in their principals (in the case of agents) or in the insurer recommended (in the case of brokers). It is not reasonable to expect field staff to be able to produce the business if their efforts are not backed up by quality service. The better intermediaries will soon move to more suitable insurers.

(c) *Loss of market prestige*: confidence in the integrity and efficiency of a company is extremely important. This goes far beyond any question of not "losing face", important as this is in our culture. Bad service is one of the qualities that peer group associations and market colleagues will be very concerned about.

(d) *Government involvement*: insurers are licensed to do business in Macau not only to make a certain product available, but to enhance the standing and reputation of the SAR. The last thing Macau needs is for that service to be indifferent or suspect. Bad service will sooner or later, quite rightly, be the subject of Government concern and, if necessary, action.

5.1.1 The Importance of Customer Service

Much of this will be evident from the above comments. However, the importance of this issue must not only be seen in the need to avoid **negative** results. There are extremely important **positive** issues to be recognized as well. These include:

(a) *Customer loyalty*: general insurance business usually involves policy renewals. People do not stay with companies who do not treat them well. It is true that intensive marketing may produce short-term increases of business, but **continuity** (or the **retention** of business) is extremely important. Renewals are much less labour-intensive (costly) than underwriting new risks and keeping good customers makes obvious sense.

(b) Customer "productivity": customers who are happy and comfortable with their insurer not only remain loyal with their own business. They also are a most productive source of extra business, by recommendations and word of mouth advertising to family and friends.

(c) Increased profitability: good service means fewer complaints. Complaints are "bad news" in every respect. Not only are they bad publicity, they are often very time-consuming and expensive. Avoiding complaints by an efficient and fair treatment of customers leaves more time for productive work and therefore must impact upon profitability.

Customer service relates to **efficiency**, **courtesy** and, in considerable measure, to **business ethics**. The following Notes touch upon each of these aspects.

5.2 POLICIES AND CODES OF CONDUCT OF ORGANIZATIONS

By "policies", of course, the heading refers to declared principles, not policy documents given to the insured. Increasingly, individual companies are realizing the practical importance of stating their corporate principles and business practice in writing. Whilst such documents are **not** legal agreements, in the sense of contractual obligations, they have an extremely important **persuasive** influence on the company, both as a **standard** of declared intentions and as a **measure** of performance.

Many companies in Macau have already produced such published declarations. It is almost certain that this practice will grow. Each company will of course have its own style of presentation and content with such documents, but typically the documents will be produced for **intermediaries** and **policyholders** and are likely to include:

(a) a commitment to *quality and service*;

(b) a dedication to high *professional standards*;

(c) a promise of *efficiency* and high *business ethics*;

(d) an undertaking to deal with claims *fairly* and *promptly*;

(e) specific information on *business conduct* and certain *practices*.

Some examples of **(e)** will be considered in **5.3** below. Those and subsequent Notes will outline the fact that declared criteria and business intentions are not only self-imposed commitments, but will at times be required by central associations or even by statute.

5.3 CUSTOMER SERVICE STANDARD AND ITS IMPLEMENTATION

Specific details of the declared standards for customer service will vary with different insurers, but a representative set of declared standards is likely to include the following:

(a) *identification of customer needs*: rather than trying to promote types of insurance for the benefit of the insurer only;

(b) *confidentiality and compliance*: with regards to information supplied and strict compliance with the customer's wishes;

(c) *provision of desired cover*: any inability to meet the customer's requirements will be honestly brought to the customer's attention;

(d) *insurance documentation* : all documents (**cover note**, **certificate**, **policy**, **endorsement** etc.) will be supplied promptly and as required by the customer;

(e) *claims commitments*: claims will be handled promptly and fairly, with a promise to keep the insured informed, as appropriate.

The above, in one form or another, represent **promises** or undertakings on behalf of the insurer. Additionally, policy declarations are likely to remind the **insured** and **intermediaries** of certain obligations that are required of them, including:

(f) *disclosure requirements*: the need to comply with the duty of **utmost good faith** with regard to **material facts**;

(g) *premium payments*: the need to pay premiums when due, and (for **intermediaries**) any **credit** facilities allowed;

5.3.1 Implementation of Customer Service Standard

As far as the individual company is concerned, the commitments expressed in the policy document will be **monitored** by **internal audit**. Companies will take this responsibility very seriously, because any lapse of declared standards is important. Also, discovery and correction "in-house" is always preferable to the embarrassment and other consequences of public examination.

This is not to say that the company has total control over such matters. That would be too subjective and open to criticism. The observation and fulfilment of company promises (or obligations imposed by industry associations or Government) are also under actual or potential monitoring by:

(a) *policyholders and the general public*;

(b) *industry associations*;

(c) *Government*.

It must not be assumed from this that insurers are in a constant state of fear from oppressive scrutiny. That is going too far. But an important word in our society today is "**transparency**", by which is meant an openness to conduct and practice, which must at all times be legally and ethically justifiable.

5.4 LEGAL AND REGULATORY OBLIGATIONS OF ORGANIZATIONS

This area was dealt with in some depth in "**Principles and Practice of Insurance**", so we will not repeat details here. However, by way of reminder, the following important aspects of customer service obligations in connection with General Insurance should be noted:

(a) **Insurance Contract Law**

All aspects of **insurance contract law** relating to the obligations of insurers towards the insured (their contract partners and **customers**) will apply. It should be remembered that the duty of **utmost good faith**, which is applicable to insurance contracts, applies to the **insurer** as well as the insured.

(b) **Macau Insurance Ordinance (MIO)**

The details we need not repeat here, but it will be recalled that the MIO has certain strict requirements regarding insurance companies, which include reference to:

(i) *licensing requirements*;

(ii) *capital requirements*;

(iii) *solvency margin requirements*;

(iv) *setting up of technical reserves*;

These are all requirements to try to ensure the economic and social viability of insurers, which in the broader sense must be related to customer service. Other applications of the

MIO will be considered in later Notes.

(c) **The Insurance Agents & Brokers Ordinance**

The Ordinance gives statutory weight to the question of customer service requirements, with specific reference to such matters as:

(i) *roles and responsibilities* of insurance salesmen, agents and brokers;

(ii) *definitions* of insurance salesmen, agents and brokers, with prescribed **penalties** for anyone unlawfully claiming to be one or the other.

5.5 LEGAL IMPLICATIONS OF REBATING OF COMMISSION

Rebating of commission means that the intermediary gives part of his commission to his client, thus producing a "cheaper" premium for the latter. It is likely to be a common practice when intermediaries are placing business for close friends or family members. If this were to be its only application, this is a relatively harmless, even praiseworthy, gesture. If the practice occurs as an **inducement** for securing the business, however, it is a much more serious matter.

Certainly, it undermines the basis of **rating** and honest establishment of due **reward** (commissions) for intermediaries. For these reasons, **rebating commission** is invariably **prohibited** by **agency agreements** and will be regarded as a serious breach of contract terms.

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Non-Life Insurance Glossary (Based on the Study Notes)

Accidents Only Contracts	純意外的合約
Accumulation	積累
Actual Total Loss	真正全部損失
Additional Perils	附加危險
Adjustable Premiums	可調整保費
Agreed Values	約定價值
"All Risks"	「全險」
Arbitration	仲裁
Attestation Clause	見證條款
Average (Marine)	海損(水險)
Average (Non-Marine)	比例分攤(非水險)
Average Adjusters	海損理賠師
Avoidance Of Certain Terms And Right Of Recovery Clause	避免某些條件及追償權條款
Blanket Cover	統保保障
Boiler Explosion	鍋爐爆炸
Bolt-On	上螺栓式
Bonds	保證
Buildings and Contents Cover	建築物及家居物件保障
Buildings Only Cover	建築物而已保障
Burglary Insurance	入屋犯法保險
Business Interruption Insurance	營業中斷保險
Cargo Insurance	貨物保險
Cash In Transit Insurance	現金運送保險
Certificates of Insurance	保險憑證
Claims	理賠/索償
"Claims-Made" Cover	索償申報保障
"Claims-Occurring" Basis	「發生事故」根據
Classification of Insurance	保險類別
Collision Liability	碰撞責任
Combined Liability Insurances	責任保險組合
Combined Policies	組合保單
Combined Property and Pecuniary Insurances	財產及經濟權益保險組合
Combined "Umbrella" Type Covers	「傘括」類型保障組合
"Commercial Code"	「商法典」
Commercial Packages	商業保險組合
Comprehensive Cover	綜合保障
Condition Precedent to Liability	責任出現前的先決條件
Condition Precedent to the Contract	合約生效前的先決條件
Condition Subsequent to the Contract	合約生效後的條件
Consequential Loss Insurance	後果損失保險

Non-Life Insurance Glossary

Constructive Total Loss	推定全損
Contents Only Cover	家居物件而已保障
Contractors' All Risks	建築全險
Contractual Liability	合約上的責任
Contribution	分攤
Counter-Guarantee	反擔保
Cover Notes	暫保單
Days of Grace	寬限期
Deductible	免賠額
Directors and Officers (D&O) Insurance	董事及主管人員(D&O)保險
Employees' Compensation Insurance	工作意外及職業病保險法例
Employers' Liability	僱主責任
Engineering Insurance	工程保險
Engineers	工程師
Erection All Risks	安裝工程全險
Ex Gratia	通融
Excess	自負額
Executed Consideration	已執行代價
Executory Consideration	未來有效的代價
Express Conditions	明訂條件(款)
Express Warranty	明訂保證
Fee	費用
Fidelity Guarantee Insurance	忠實保證保險
"Fire"	「火災」
Fire and Special Perils	火災及特殊危險
Forcible and Violent Entry	以強行及暴力的方式進入
Franchise	起賠額
Fraud	欺詐
Fundamental Risks	基本風險
General Average	共同海損
General Exceptions (Exclusions)	一般不受保項目(除外責任)
Glass Insurance	玻璃保險
Group Personal Accident Insurance	團體意外保險
Guarantee	擔保/保證
Health Insurnace	健康保險
"Hold Up" Cover	「搶劫」保障
Household Insurances	家居保險
Hull Insurance	船體保險
Implied Conditions	隱含條件(款)
Implied Warranty	隱含保證
Inherent Vice	潛在的毛病
Institute Cargo Clauses (A), (B) and (C)	協會貨物條款(A), (B)及(C)

Non-Life Insurance Glossary

Insurance Agent	保險代理人
Insurance Agents and Brokers Ordinance	保險代理人及經紀人法例
Insurance Broker	保險經紀
“Insurance Contract Law”	「保險合同法」
Insurance Intermediaries	保險中介人
Insurances of Liabilities	責任保險
Insurances of Pecuniary Interests	經濟權益保險
Insurances of Property	財產保險
Insurances of the Person	人身保險
Interruption Period	中斷期間
Levies	徵款
Liability Insurance	責任保險
Litigation	訴訟
“Long-Tail” Business	「長期責任」業務
Long Term Agreements (LTAs)	長期協議(LTAs)
Loss Adjusters	理賠師
Loss of Profits Insurance	利潤損失保險
Lump Sum Benefits	整筆權益
Macau Insurance Ordinance (MIO)	保險活動管制法例
Machinery Breakdown	機器損壞
Market Exclusions	業界除外責任
Master Policies	總保險單
Material Facts	重要事實
Medical Expenses	醫療開支
Medical Insurance	醫療保險
Medical Malpractice Insurance	醫療有關的怠忽職守保險
Monetary Authority of Macau (AMCM)	澳門金融管理局
Money Insurance	金錢保險
Moral Hazard	道德危險
Motor and Marine Guarantee Fund	澳門汽車及航海保障基金
Motor Insurance	汽車保險
“New For Old” Cover	「不折舊」保障
No Claim Discount	無索償折扣
Non-Material Facts	非重要事實
Operative Clause	履行條款
Packaged Policies	組合保單
Particular Average	單獨海損
Penalty	罰款
Performance Bond	履約保證
Personal Lines Insurance	個人險種保險
Physical Hazard	實質危險
Personal Accident and Sickness Insurance	個人意外及疾病保險

Non-Life Insurance Glossary

Pleasure Craft Insurance	遊艇保險
Policy	保險單
Policy Conditions	保單條件(款)
Policy Specification	保單說明
Premium	保費
Products Liability Insurance	產品責任保險
Professional Liability (PI) Insurance	專業賠償(PI)保險
Professional Liability Insurance for Travel Agents	旅行社職業民事責任保險
Property Damage Warranty	財產損毀保證
Proposal Form	投保書
Protection and Indemnity Associations (P&I Clubs)	船東保賠組織(P&I Clubs)
Provisional Premium	暫繳保費
Public Liability Insurance	公眾責任保險
Public Policy	公眾利益
Quantum	數額
Quotations	報價
Rebating Commission	回佣
Recital Clause	敘文條款
Reinstatement	恢復原狀
Renewals	續保
Repatriation Expenses	送返開支
Replacement	重置
Representations	陳述
Risk Assessment Factors	風險估定因素
Risk Classification	風險類別
Risk Discrimination	風險歧視
Salvage – Marine	救援 – 水險
Salvage – Non-Marine	損餘 – 非水險
Schedule	附表
Scheduled Policy Form	附表式的保單
Second Chance	改過機會
Settling Agents	理賠代理人
Short-Period Premium	短期保費
Short-Period Refund	短期保費退還
Signature Clause	簽署條款
Simple Contracts	簡單合約
Special Perils	特殊危險
Specific Exclusions	特定除外責任
Specification	說明
Specified Perils	指明危險/特定危險
Standard Policy Excess	標準保單自負額
Step-Back System	折扣回減機制

Non-Life Insurance Glossary

Subject to Average	視乎比例分攤
Subrogation	代位權
Sue and Labour Clause	損害防止條款
Surety(ship) Insurance	保證保險
Survey Agents	檢驗代理人
Surveyors	檢驗人
System of Check	核查制度
“Target” Risks	「目標」風險
Temporary Disablement Benefits	暫時喪失能力的權益
Theft Insurance	盜竊保險
Third Party	第三者
Third Party Insurance	第三者保險
Third Party Liability	第三者責任
Third Party, Fire and Theft	第三者責任、火災及盜竊
Total Loss Only	僅全部損失
Travel Insurance	旅遊保險
Trend Adjustment	趨勢調整
Umbrella Coverage	傘括保障
Underwriting	核保
Underwriting Excess	承保自負額
Uninsured Peril	不受保危險
Unoccupancy	物業空置
Unseaworthiness	不適航
Unspecified Items	未有指明的物件
Use of The Vehicle	車輛的用途
Utmost Good Faith	最高誠信原則
Valued Policies	定值保單
Voluntary Excess	自願性自負額
Warehouse to Warehouse	倉至倉
Warranty	保證
Weakening of Support	減弱支撐
Weekly Benefits	每週權益

一般保險字彙（根據研習資料手冊）

一般不受保項目(除外責任)	General Exceptions (Exclusions)
人身保險	Insurances of the Person
入屋犯法保險	Burglary Insurance
上螺栓式	Bolt-On
工作意外及職業病保險法例	Employees' Compensation Insurance
工程保險	Engineering Insurance
工程師	Engineers
已執行代價	Executed Consideration
「不折舊」保障	"New For Old" Cover
不受保危險	Uninsured Peril
不適航	Unseaworthiness
中斷期間	Interruption Period
公眾利益	Public Policy
公眾責任保險	Public Liability Insurance
分攤	Contribution
反擔保	Counter-Guarantee
比例分攤(非水險)	Average (Non-Marine)
「火災」	"Fire"
火災及特殊危險	Fire and Special Perils
以強行及暴力的方式進入	Forcible and Violent Entry
代位權	Subrogation
可調整保費	Adjustable Premiums
未有指明的物件	Unspecified Items
未來有效的代價	Executory Consideration
「目標」風險	"Target" Risks
仲裁	Arbitration
「全險」	"All Risks"
共同海損	General Average
合約上的責任	Contractual Liability
合約生效前的先決條件	Condition Precedent to the Contract
合約生效後的條件	Condition Subsequent to the Contract
回佣	Rebating Commission
安裝工程全險	Erection All Risks
自負額	Excess
自願性自負額	Voluntary Excess
免賠額	Deductible
利潤損失保險	Loss of Profits Insurance
折扣回減機制	Step-Back System
投保書	Proposal Form

一般保險字彙

改過機會	Second Chance
每週權益	Weekly Benefits
汽車保險	Motor Insurance
見證條款	Attestation Clause
車輛的用途	Use of The Vehicle
協會貨物條款(A), (B)及(C)	Institute Cargo Clauses (A), (B) and (C)
定值保單	Valued Policies
忠實保證保險	Fidelity Guarantee Insurance
承保自負額	Underwriting Excess
明訂保證	Express Warranty
明訂條件(款)	Express Conditions
物業空置	Unoccupancy
金錢保險	Money Insurance
長期協議(LTAs)	Long Term Agreements (LTAs)
「長期責任」業務	"Long-Tail" Business
附加危險	Additional Perils
附表	Schedule
附表式的保單	Scheduled Policy Form
非重要事實	Non-Material Facts
保單條件(款)	Policy Conditions
保單說明	Policy Specification
保費	Premium
保險中介人	Insurance Intermediaries
保險代理人	Insurance Agent
保險代理人及經紀人法例	Insurance Agent and Brokers Ordinance
保險活動管制法例	Macau Insurance Ordinance (MIO)
保險單	Policy
保險經紀	Insurance Broker
保險憑證	Certificates of Insurance
保險類別	Classification of Insurance
保證	Bonds
保證	Warranty
保證保險	Surety(ship) Insurance
建築全險	Contractors' All Risks
建築物及家居物件保障	Buildings and Contents Cover
建築物而已保障	Buildings Only Cover
後果損失保險	Consequential Loss Insurance
恢復原狀	Reinstatement
指明危險/特定危險	Specified Perils
玻璃保險	Glass Insurance
約定價值	Agreed Values

一般保險字彙

重要事實	Material Facts
重置	Replacement
風險估定因素	Risk Assessment Factors
風險歧視	Risk Discrimination
風險類別	Risk Classification
個人意外及疾病保險	Personal Accident and Sickness Insurance
個人險種保險	Personal Lines Insurance
倉至倉	Warehouse to Warehouse
家居物件而已保障	Contents Only Cover
家居保險	Household Insurances
旅行社職業民事責任保險	Professional Liability Insurance for Travel Agents
旅遊保險	Travel Insurance
核保	Underwriting
核查制度	System of Check
海損(水險)	Average (Marine)
海損理賠師	Average Adjusters
特定除外責任	Specific Exclusions
特殊危險	Special Perils
真正全部損失	Actual Total Loss
索償申報保障	“Claims-Made” Cover
純意外的合約	Accidents Only Contracts
財產及經濟權益保險組合	Combined Property and Pecuniary Insurances
財產保險	Insurances of Property
財產損毀保證	Property Damage Warranty
起賠額	Franchise
送返開支	Repatriation Expenses
健康保險	Health Insurnace
「商法典」	“Commercial Code”
商業保險組合	Commercial Packages
基本風險	Fundamental Risks
專業賠償(PI)保險	Professional Indemnity (PI) Insurance
推定全損	Constructive Total Loss
救援－水險	Salvage – Marine
敘文條款	Recital Clause
理賠/索償	Claims
理賠代理人	Settling Agents
理賠師	Loss Adjusters
現金運送保險	Cash In Transit Insurance
產品責任保險	Products Liability Insurance
第三者	Third Party
第三者保險	Third Party Insurance

一般保險字彙

第三者責任	Third Party Liability
第三者責任、火災及盜竊	Third Party, Fire and Theft
統保保障	Blanket Cover
組合保單	Combined Policies
組合保單	Packaged Policies
船東保賠組織(P&I Clubs)	Protection and Indemnity Associations (P&I Clubs)
船體保險	Hull Insurance
責任出現前的先決條件	Condition Precedent to Liability
責任保險	Insurances of Liabilities
責任保險	Liability Insurance
責任保險組合	Combined Liability Insurances
貨物保險	Cargo Insurance
通融	Ex Gratia
陳述	Representations
「傘括」保障	Umbrella Coverage
傘括類型保障組合	Combined “Umbrella” Type Covers
最高誠信原則	Utmost Good Faith
單獨海損	Particular Average
報價	Quotations
欺詐	Fraud
減弱支撐	Weakening of Support
無索償折扣	No Claim Discount
「發生事故」根據	“Claims-Occurring” Basis
盜竊保險	Theft Insurance
短期保費	Short-Period Premium
短期保費退還	Short-Period Refund
視乎比例分攤	Subject to Average
訴訟	Litigation
澳門金融管理局	Monetary Authority of Macau (AMCM)
費用	Fee
僅全部損失	Total Loss Only
損害防止條款	Sue and Labour Clause
損餘 – 非水險	Salvage – Non-Marine
「搶劫」保障	“Hold Up” Cover
業界除外責任	Market Exclusions
碰撞責任	Collision Liability
經濟權益保險	Insurances of Pecuniary Interests
董事及主管人員(D&O)保險	Directors and Officers (D&O) Insurance
遊艇保險	Pleasure Craft Insurance
道德危險	Moral Hazard
僱主責任	Employers’ Liability

一般保險字彙

團體意外保險	Group Personal Accident Insurance
實質危險	Physical Hazard
綜合保障	Comprehensive Cover
罰款	Penalty
說明	Specification
寬限期	Days of Grace
履行條款	Operative Clause
履約保證	Performance Bond
徵款	Levies
數額	Quantum
暫保單	Cover Notes
暫時喪失能力的權益	Temporary Disablement Benefits
暫繳保費	Provisional Premium
標準保單自負額	Standard Policy Excess
潛在的毛病	Inherent Vice
擔保/保證	Guarantee
整筆權益	Lump Sum Benefits
機器損壞	Machinery Breakdown
積累	Accumulation
澳門汽車及航海保障基金	Motor and Marine Guarantee Fund
檢驗人	Surveyors
檢驗代理人	Survey Agents
營業中斷保險	Business Interruption Insurance
總保險單	Master Policies
趨勢調整	Trend Adjustment
避免某些條件及追償權條款	Avoidance Of Certain Terms And Right Of Recovery Clause
鍋爐爆炸	Boiler Explosion
隱含保證	Implied Warranty
隱含條件(款)	Implied Conditions
簡單合約	Simple Contracts
醫療有關的怠忽職守保險	Medical Malpractice Insurance
醫療保險	Medical Insurance
醫療開支	Medical Expenses
簽署條款	Signature Clause
續保	Renewals

REFERENCE MATERIALS

- Motor Vehicles Insurance (Third Party Risks) Ordinance
  (Decree-Law No. 57/94/M, of 28th November), Macau SAR Government

- Employees' Compensation Insurance Ordinance
  (Decree-Law No. 40/95/M, of 14th August), Macau SAR Government

- Professional Liability Insurance for Travel Agents
  (Executive Order No. 263/99/M, of 14th June), Macau SAR Government

- Public Liability Insurance relating to the Fixing of Propaganda and Publicity Material
  (Decree-Law No. 38/96/M, of 15th July), Macau SAR Government

- Third Party Liability Insurance for Pleasure Boats
  (Decree-Law No. 104/99/M, of 13th December), Macau SAR Government

- Commercial Code Chapter 18
  (Insurance Contract Law), Macau SAR Government

Note: The list of references provides details of various publications which may assist with your studies. They will provide a wider coverage of syllabus topics. The primary text for this subject is the material contained in this Study Notes.

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